

# Driehaus Emerging Markets Sustainable Equity Fund

## Q4 2024 Commentary

### Portfolio Management



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Thies**



**Chad  
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### Investment Objective

The investment objective of the Fund is to achieve long-term capital growth. The Fund's Sub-Investment Manager, Driehaus Capital Management LLC, is a privately-held boutique asset management firm located in Chicago, USA. The firm was founded in 1982 and has USD 19.7 billion of assets under management.

### Contact

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*Opinions expressed whether in general or in both on the performance of individual investments and in a wider economic context represent the views of the contributor at the time of preparation.*

The **Driehaus Emerging Markets Sustainable Equity Fund** (the "Fund"), is a sub-fund of Heptagon Fund ICAV, which is an open-ended umbrella type investment vehicle 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 25<sup>th</sup> June 2012 and had an AUM of USD 345m as of 31<sup>st</sup> December 2024. Driehaus Capital Management LLC was appointed Sub-Investment Manager of the Fund on 6<sup>th</sup> December 2016. Prior to this OFI Global Institutional, Inc. was the Sub-Investment Manager from 25<sup>th</sup> June 2012 to 5<sup>th</sup> December 2016.

### Performance Review

The Heptagon Driehaus Emerging Markets Sustainable Equity Fund – Class I USD (Fund) returned negative 6.6%, net of fees, during the fourth quarter compared to the 8.0% fall in the MSCI Emerging Markets Index. For the full year, the Fund returned +10.3%, net of fees, 280 basis points ahead of the return of the Index.

### Quarter in Review

From a country of domicile perspective, investments tied to the United Arab Emirates (UAE) represented the top relative contributors this quarter. The UAE was also the top performing country in the Index and the Fund benefited from its overweight position. The Fund's exposures were primarily within the real estate sector where one investment in a real estate development company performed particularly well.

From a sector perspective, holdings assigned to the consumer discretionary sector were the top relative contributors. The Fund benefitted from investments related to the travel industry within Asia, including a hotel operator in India and two online travel agencies. The Fund also benefitted from being underweight underperforming internet companies based in China that are assigned to the consumer discretionary sector.

Investments domiciled in Brazil were the most significant detractors this quarter. Brazil was among the worst performing countries in the Index and the Fund was hurt by being overweight

to the market. Investors reacted to a Brazilian government that appeared unserious about improving its fiscal position, depreciation in the Brazilian real, and an incrementally more hawkish tone from its central bank indicating tighter monetary policies.

Information technology was the largest detractor for the Fund from a sector perspective. Underperformance was primarily attributable to stock selection. In particular, the Fund's semiconductor-related holdings within China underperformed during the quarter. The Fund's relative performance was also hurt by not owning a smartphone OEM (Original Equipment Manufacturer) company domiciled in Hong Kong that successfully entered the electric vehicle market and subsequently performed well within the Index.

At quarter-end from a sector perspective, real estate and financials were the Fund's largest overweight positions while energy and materials were the largest underweights. From a country of domicile perspective, the Fund's largest overweight positions were in the UAE and Peru while China remained the largest underweight. Notably we ended the quarter carrying the maximum allowable exposure to Taiwan Semiconductor Manufacturing Co., Ltd., which contributed to an underweight position within Taiwan as the stock's weight in the Index is well above the Fund's 10% limit.

## **I Market Outlook**

The new year brings the sense that many things will be different going forward for emerging markets. The new US presidential administration and its specific policies are likely to have a significant impact on the relative winners and losers within the asset class. Since the election, emerging markets have mostly felt the negatives of this transition with very few markets taking the Trump election as a positive. While not all countries have been singled out the way that Mexico and China have been by his comments, all have felt the pressure of the rally in the US dollar.

US dollar strength was perhaps easy to forecast following the election, but after its fairly significant move, at this point we believe the dollar's forward outlook is now less clear. The dollar's strength has been front-loaded by expectations of tariffs (which always strengthens the currency putting them in place), higher growth expectations and eventually expectations of a more hawkish Federal Reserve. While we are not dollar bears broadly, we do see the US currency as unusually expensive here and there is more room for tactical weakness than another aggressive rally, in our view. To drive significant further upside in the short-term, we would probably need to see even more aggressive tariff announcements and higher US growth and inflation. We find expectations for US growth to be already optimistic and think the bar is high for further inflation surprises. Together, this creates more attractive risk-reward in the short-term for non-US dollar-based assets across EM and including those in China.

Chinese assets have been under pressure for several reasons, but the persistent strength in the dollar and higher US rates have limited the policy options in China where policymakers continue to be concerned about easing policy too much and weakening the yuan. Chinese assets have also been in the uncomfortable spot of 1) being pressured by comments from Trump administration officials and 2) by the outgoing Biden administration's last gasps at further containment on the technology side of the economy. We continue to be less negative than consensus on the likelihood for Trump and Xi to find some common ground on trade and geopolitics — we see the invitation to the inauguration as some small early evidence of this.

Elsewhere in emerging markets, markets that had performed well in the past few years (e.g. India, Indonesia, etc.) have underperformed thus far in 2025 as stronger currencies have begun to suffer and higher relative valuations have been punished. Against this backdrop, we've seen some early signs of better performance in 2024's laggard markets like Brazil and Mexico. We find these markets to be relatively cheap at a macro level as their currencies are very weak and both carry an extremely high level of implied cost of equity. While we do not hold a particularly positive view of the incoming US administration and trade relationships with EM, we see countries like Mexico being more likely than not to cooperate with Trump where possible.

Sincerely,

**Heptagon Capital and Driehaus Capital Management**

The views expressed represent the opinions of Driehaus Capital Management, as 31<sup>st</sup> December 2024, 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***

**| Sector performance attribution- Q4 2024**

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	
Communication Services	10.56	-7.58	-0.81	9.24	-8.05	-0.72	0.02
Consumer Discretionary	11.31	-4.40	-0.48	13.51	-14.57	-2.06	1.34
Consumer Staples	2.85	-20.08	-0.63	4.93	-13.94	-0.71	-0.09
Energy	0.86	-19.62	-0.25	4.63	-14.36	-0.67	0.12
Financials	27.01	-5.59	-1.48	23.39	-4.95	-1.14	-0.10
Health Care	1.61	-21.31	-0.31	3.47	-11.69	-0.41	-0.06
Industrials	6.34	-15.16	-1.04	6.70	-10.85	-0.74	-0.32
Information Technology	23.22	-1.06	-0.20	23.56	1.19	0.18	-0.39
Materials	2.21	-22.20	-0.53	6.18	-18.55	-1.20	0.36
Real Estate	6.75	-1.43	-0.11	1.60	-6.47	-0.10	0.40
Utilities	3.12	-11.54	-0.38	2.77	-13.61	-0.39	0.05
Cash	4.16	0.75	0.03	--	--	--	0.44
Unassigned	--	--	--	--	--	--	--
<b>Total</b>	<b>100.00</b>	<b>-6.39</b>	<b>-6.39</b>	<b>100.00</b>	<b>-7.96</b>	<b>-7.96</b>	<b>1.56</b>

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance  
Data as of 31<sup>st</sup> December 2024

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Country performance attribution- Q4 2024

Country	Driehaus Emerging Markets Sustainable Equity Fund (Port) (%)			MSCI Emerging Markets Index (Bench) (%)			Attribution Analysis (%)
	Port Avg. Weight	Port Total Return	Port Contrib. To Return	Bench Avg. weight	Bench Total Return	Bench Contrib. To Return	Total Effect
Argentina	0.95	49.54	0.34	--	--	--	0.41
Austria	0.61	12.93	0.08	--	--	--	0.12
Brazil	7.12	-22.49	-1.70	4.04	-18.71	-0.80	-0.61
Canada	1.23	-20.96	-0.29	--	--	--	-0.18
Cayman Islands	0.87	-18.89	-0.17	0.66	-24.43	-0.18	0.01
China	20.59	-6.72	-1.50	24.93	-6.63	-1.65	-0.15
France	0.36	-4.13	-0.06	--	--	--	-0.03
Greece	1.07	-9.39	-0.07	0.45	-6.10	-0.03	0.00
Hong Kong	2.38	-12.96	-0.33	1.40	-8.59	-0.12	-0.11
Hungary	1.38	5.10	0.06	0.24	-2.25	-0.00	0.15
India	16.60	-9.13	-1.73	19.34	-11.20	-2.14	0.19
Indonesia	1.48	-15.51	-0.24	1.57	-15.62	-0.25	0.00
Italy	0.66	-0.85	-0.01	--	--	--	0.04
Kazakhstan	0.91	-9.90	-0.10	--	--	--	-0.02
Malaysia	0.12	-1.59	-0.00	1.47	-6.81	-0.09	-0.01
Mexico	1.68	-8.79	-0.14	1.84	-10.51	-0.19	0.05
Peru	1.90	3.31	0.03	0.19	-1.54	-0.00	0.14
Philippines	0.94	-10.87	-0.10	0.55	-13.88	-0.08	0.00
Poland	0.51	0.94	0.00	0.83	-11.54	-0.10	0.07
Saudi Arabia	1.25	7.93	0.10	3.95	-1.39	-0.05	-0.06
Singapore	1.14	13.30	0.07	0.03	-7.54	-0.00	0.13
South Africa	2.58	-14.98	-0.43	2.88	-11.72	-0.34	-0.11
South Korea	6.99	-19.61	-1.41	9.74	-19.08	-1.97	0.31
Switzerland	0.51	-4.24	-0.04	--	--	--	-0.03
Taiwan	13.73	8.11	0.99	19.02	3.33	0.51	0.03
Thailand	0.30	-16.77	-0.11	1.47	-10.06	-0.14	-0.05
Turkey	0.56	-4.07	-0.04	0.63	-3.16	-0.02	-0.02
United Arab Emirates	3.68	20.32	0.67	1.22	8.96	0.11	0.73
United States	3.75	-3.31	-0.11	0.12	-20.22	-0.02	0.20
[Cash]	4.16	0.75	0.03	--	--	--	0.44
[Unassigned]	--	--	--	--	--	--	--
Other countries in benchmark	--	0.00	0.00	3.44	-0.38	-0.38	--
<b>Total</b>	<b>100.00</b>	<b>-6.39</b>	<b>-6.39</b>	<b>100.00</b>	<b>-7.96</b>	<b>-7.96</b>	<b>1.56</b>

Sources: Driehaus Capital Management LLC, Factset Research Systems, Inc., eVestment Alliance. Data as of 31<sup>st</sup> December 2024  
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**Annualized Total Returns** as of 31<sup>st</sup> December 2024, (I USD share class)

	Q4 24	YTD	1-Year	3-Year	5-Year
Driehaus Emerging Markets Sustainable Equity Fund	-6.6%	10.3%	10.3%	-1.3%	4.5%
MSCI Emerging Markets NR Index	-8.0%	7.5%	7.5%	-1.9%	1.7%

Source: Morningstar

## I Important Information

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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.

## I 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.

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