HEPTAGON
Capital

Kopernik Global All-Cap Equity Fund

Q3 2024 Commentary

Portfolio Management

David Iben

Alissa Corcoran

Investment Objective

The Fund seeks to provide long-term capital appreciation by investing primarily in equity securities of U.S. and non-U.S. companies. The research driven investment process seeks to add value through active management and by selecting securities of companies that, in the manager's opinion, are misperceived and undervalued by the market.

Contact

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

Tel: +44 20 7070 1800
email london@heptagon-capital.com

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 **Kopernik Global All-Cap 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 Kopernik Global Investors LLC ("Kopernik") is the Sub-Investment Manager meaning Kopernik exercises discretionary investment authority over the Fund.

The Fund was launched on 16th December 2013 and had an AUM of USD 1,272m as of 30th September 2024. During the third quarter of 2024, the fund (C USD share class) outperformed its benchmark, returning 10.1% compared to 6.6% for the MSCI ACWI.

Quarter Overview

The materials sector was the largest contributor to the Fund on a sector basis. Many of the strategy's gold mining companies performed strongly during the quarter as the gold price rose nearly 14% during Q3 and is up nearly 30% year-to-date. As we discuss in our recently-updated mining whitepaper, at current prices, we prefer to own gold mining companies to the physical gold. Gold underground remains at a significant discount to gold above ground and mining companies should do well even if gold stays at current levels. The strategy's largest contributor was **Newmont Corp ("Newmont")**, the world's largest gold producer, which had a total return of 28.7%. Other producing miners contributed positively as well. **Barrick Gold Corp**, one of the largest gold miners in the world, with assets in multiple jurisdictions, had a total return of 19.7%. **Equinox Gold Corp**, a Canadian gold miner whose Greenstone mine began producing this year, had a total return of 17.4%; and **Aris Mining**, a gold miner that owns assets in Colombia, Guyana, and Canada, had a total return of 22.6%. We trimmed Newmont.

As we have discussed elsewhere, non-producing mining companies are often severely undervalued by the market. Most use a discounted cash flow (DCF) model to value mining companies; however, Kopernik believes that when the DCF model is applied to a real asset, investors have "flipped it upside down," implying that gold (and other commodities) will lose value relative to dollars. Thousands of years of history suggest that it is

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

the reverse that is true: fiat currency loses value relative to real assets. The result of using DCF models is that long-lived mines are heavily penalized, and companies that have long lived deposits that won't go into production for years to come are penalized the most. We prefer optionality models. This concept is also discussed more at length in our mining whitepaper. The Fund's non-producing miners performed strongly during the quarter. **Seabridge Gold Inc**, which owns KSM, the largest undeveloped gold deposit in Canada, had a total return of 23.1%. **Perpetua Resources Corp**, which owns the Stibnite Gold Project in Idaho, had a total return of 82.1%; **Artemis Gold**, owner of the Blackwater project in British Columbia, had a total return of 32.2%; and **Novagold Resources Inc**, which owns half of the Donlin project in a joint venture with Barrick, had a total return of 19.4%. We trimmed all four companies. Precious metals streaming companies, which have optionality to higher prices but less exposure to mining risk, also performed well. **Wheaton Precious Metals Corp** had a total return of 16.9%, while **Royal Gold Inc** had a total return of 12.7%. We trimmed both streaming companies.

Platinum and palladium miners also contributed positively during the quarter. As we discussed last quarter, we are bullish on both metals and were pleased to see positive contributions after last quarter's underperformance. **Impala Platinum Holdings Ltd** had a total return of 13.7%, while **Anglo American Platinum Ltd ("Amplats")** had a total return of 11.3%.

Other positive contributions came from many of the Fund's companies in China and South Korea. China's central bank unveiled an aggressive economic stimulus plan, something the Chinese markets appreciated, at least temporarily. **Alibaba Group Holding Ltd ("Alibaba")**, China's largest e-commerce provider, and **Baidu Inc ("Baidu")**, the Google of China, had total returns of 46.2% and 24.5%, respectively. **CK Hutchison Holdings Ltd ("CK Hutchison")**, a Hong Kong-based conglomerate with multiple business segments, had a total return of 22.2%. In South Korea, **KT Corp** and **LG Uplus Corp**, two members of a triopoly of telecom companies, had total returns of 12.7% and 7.3%, respectively. **Korea Electric Power Corp**, South Korea's dominant electric utility, had a total return of 13.2%. We trimmed **Alibaba** and **CK Hutchison** and added to Baidu on lower prices before trimming late in the quarter.

Companies in other Southeast Asian markets also performed well. Palm oil producers **Golden Agri-Resources Ltd ("Golden Agri")** and **First Resources Ltd** had total returns of 9.6% and 15.3%, respectively.

While the materials sector as a whole contributed positively during the quarter, that was primarily driven by precious metals miners. Other companies in the sector detracted. **Lotte Chemical Corp ("Lotte Chem")**, a South Korean petrochemical producer, had a total return of -7.4%, while **K+S AG ("K+S")**, a German potash producer, had a total return of -4.8%. **Arcadium Lithium PLC ("Arcadium")**, a low-cost lithium producer with assets in Argentina, Australia, and Canada, had a total return of -13.4%. After the end of the third quarter, Rio Tinto announced plans to take over **Arcadium**. We added to **Lotte Chem** in August and added **to K+S** and **Arcadium**.

In the energy sector, **Range Resources Corp ("Range Resources")**, a U.S.-based natural gas producer with long-lived reserves, had a total return of -7.9%, while **NAC Kazatomprom JSC ("Kazatomprom")**, the world's largest uranium miner, had a total return of -8.7%. We added to **Kazatomprom** and trimmed **Range Resources** when prices bumped in July and September.

During the quarter, the strategy initiated two new positions. **LX International Corp** is a South Korean holding company with three main business segments in resources, trading, and logistics; **China Gas Holdings Ltd**, is a gas distribution utility in China. Both stocks are undervalued on multiple metrics and trade at substantial discounts to Kopernik's estimate of their risk-adjusted intrinsic values.

The strategy also re-initiated multiple positions as prices dropped to more attractive levels. These companies include **MEG Energy Corp**, a Canadian oil sands producer; **Ivanhoe Electric Inc**, a mining company with multiple assets in the U.S. and Africa; **Franklin Resources Inc**, a U.S.-based asset manager; **Air Lease Corp**, an aircraft lessor with a large customer base; and **Cameco Corp**, the world's second-largest uranium producer.

The strategy eliminated positions in **Sinopec Engineering Group Co Ltd**, **Medipal Holdings Corp**, and **WH Group Ltd** as prices appreciated. After re-initiating a position in Cameco in August (as mentioned above), we eliminated the position in September as the stock price once again approached Kopernik's estimate of its risk-adjusted intrinsic value.

In closing, we continue to be focused on appraising businesses and mitigating risk through diversification across sectors and countries. Our investment process is centered on buying and holding companies trading at significant discounts to their risk-adjusted intrinsic value, and we view volatility as an opportunity to add and trim. You can count on us to employ our disciplined, fundamentals-based, long-term approach that has produced a proven track record throughout full market cycles. We are grateful to our long-term investors who understand the art and science of value investing and adhering to its discipline.

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

Annualized Total Returns as of 30th September 2024, net of fees, C USD share class

	Q3 24	YTD	1-Year	3-Year	5-Year	10-Year
Kopernik Global All-Cap Equity Fund	10.1%	13.7%	22.9%	5.1%	15.3%	9.0%
MSCI ACWI NR USD Index	6.6%	18.7%	31.8%	8.1%	12.2%	9.4%

Source: Morningstar

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

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 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.

Heptagon Capital Limited has issued this communication as investment manager for Heptagon Fund ICAV, and is licensed to conduct investment services by the Malta Financial Services Authority. Heptagon Capital LLP, acting as Distributor, is authorised and regulated in the UK by the Financial Conduct Authority.

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.

SFDR

The Fund takes sustainability risks into account within the investment process, and this is disclosed in accordance with Article 6 requirements of the Sustainable Finance Disclosure Regulation ('SFDR') in the Fund's Prospectus. However, the Fund does not have as its objective sustainable investment and does not promote environmental or social characteristics for the purposes of the SFDR. Sustainability risks may occur in a manner that is not anticipated by the Sub-Investment Manager, there may be a sudden, material negative impact on the value of an investment and hence the returns of the Fund. As a result of the assessment of the impact of sustainability risks on the returns of the Fund, the Sub-Investment Manager aims to identified that the Fund may be exposed to sustainability risks and will aim to mitigate those risks.

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

Disclaimers

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of MSCI Inc. ("MSCI") and S&P Global Market Intelligence ("S&P") and is licensed for use by Heptagon Fund ICAV. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

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

Heptagon Capital, 63 Brook Street, Mayfair,
London W1K 4HS
Tel: +44 20 7070 1800
(FRN 403304)

Authorised & Regulated by the Financial Conduct
Authority in the UK
12 Endeavour Square, London

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