

Driehaus Emerging Markets Equity Fund

Q3 2025 Commentary

Portfolio Management



**Richard
Thies**



**Chad
Cleaver**



**Howard
Schwab**



**Mihaela
Zahariuc**

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 24.7 billion of assets under management.

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 **Driehaus Emerging Markets 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 meaning Driehaus exercises discretionary investment authority over the Fund. The Fund was launched on 25th June 2012 and had an AUM of USD 787m as of 30th September 2025. During the third quarter of 2025, the Fund slightly underperformed its benchmark, the MSCI Emerging Markets Index NR USD (the "Index"), returning 10.57% (C USD share class) compared to 10.64% for the Index. Driehaus Capital Management LLC was appointed Sub-Investment Manager of the Fund on 6th December 2016. Prior to this OFI Global Institutional, Inc. was the Sub-Investment Manager from 25th June 2012 to 5th December 2016.

Market Overview

Emerging Markets posted strong results in the third quarter. The MSCI Emerging Markets Index rose by 10.64% during the period, ahead of both the S&P 500 (+8.12%) and the MSCI EAFE Index (+4.77%). Through the first nine months of the year, Emerging Markets are up 27.53%, almost double the return of the S&P 500 (+14.83%).

Broadly speaking, China was the biggest driver of the Index, rising 19.0% during the period and accounting for nearly half of the Index's return. Taiwan and South Korea also performed well on continued positive AI news.

Performance Review

The Driehaus Emerging Markets Equity Fund generated a 10.57% total return, 7 basis points behind the benchmark, which returned 10.64% for the third quarter. The performance was primarily driven by stock-specific effects, partially offset by risk factors (e.g. industry and country effect). Style factors were a positive contributor, especially the Fund's overweight exposure to medium-term momentum.

The performance data below represents the strategy's composite of emerging markets sustainable equity accounts managed by Driehaus Capital Management LLC (DCM) (the composite). These returns are estimated for the period as the underlying accounts' data is yet to be reconciled to the custodian bank. Net of fee returns reflect the payment of advisory fees and in some instances, other fees and expenses such as administrative and custodian fees while the gross of fee returns do not. Both are net of brokerage commissions charged to the accounts and reflect the reinvestment of income and other earnings. The performance data shown above represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data quoted.

I Attribution Comments

From a sector level, Information Technology was the largest driver of positive attribution. The strategy's holdings benefited from the ongoing AI buildout in the US and now increasingly in China as well. The strategy holds several positions with exposure to AI across areas such as compute, memory, networking, power supply, and cooling. Industrials was the next largest contributor. The strategy benefited from its position in a Chinese battery stock that is seeing strong demand from the energy storage solutions (ESS) market as well as a nascent inflection in the electrification of commercial vehicles.

Financials was one of the largest sector detractors. This was largely due to a bank holding in Argentina which sold off alongside the broader market after the surprise results of a provincial legislative election. The opposition Peronist party came in ahead of President Milei's party which the market took as a weakening of his mandate for reform. Besides the equity performance, the Argentine Peso also depreciated sharply against the USD during the quarter.

On a country basis, Taiwan was the largest positive contributor, mostly due to the strategy's IT holdings. India was the next largest contributor to performance. The strategy was underweight the market, which underperformed. India has been hit by both a slowdown in domestic growth as well as concerns over a punitive US tariff rate. Given the softer outlook, foreign investors have continued to be net sellers this year which has contributed to a sharp depreciation of the Indian Rupee.

Argentina was the largest country detractor as previously noted. Brazil was the next largest detractor. The strategy was overweight the country, which underperformed.

I Strategy Positioning

The strategy increased its exposure to North Asia markets (China, Hong Kong, Taiwan) during the quarter. This was partially offset by a lower weight in India and Brazil.

On a sector basis, the strategy increased its exposure to Information Technology and Industrials while reducing its exposure to Financials and Energy.

Entering the fourth quarter the strategy is modestly overweight China/Hong Kong where multiple secular trends (AI, technology localisation, advanced manufacturing, highly competitive healthcare R&D and manufacturing) are balanced by a still weak economy and ever-present regulatory and geopolitical risk. The strategy carries an underweight to India which has been going through a modest growth slowdown alongside tariff concerns.

The strategy remains overweight Communication Services and Industrials and is underweight Financials and Consumer Staples.

I Market Outlook

Following a challenging year in which the Value and Beta factors have dominated performance drivers, particularly within emerging markets, we are beginning to see early signs of a more favourable environment for our investment style. Specifically, earnings revisions are increasingly aligning with higher-growth companies, while the flow-driven "beta grab" that characterised much of the prior period has modestly subsided.

As a result, we continue to identify attractive opportunities within technology and adjacent sectors benefiting from the ongoing proliferation of artificial intelligence (AI). In China, the centralised nature of the economy has provided a strong foundation, across areas such as energy, grid infrastructure, and data sharing, for broad AI implementation and

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adoption. This has supported blue-chip leaders such as Alibaba (BABA), as well as various other sectors including electric vehicles, AI video creation, and online gaming.

Accordingly, we have increased our exposure to China, resulting in a slight overweight that we expect to maintain for the time being. However, we note that valuations have moved from meaningfully undervalued to more fairly valued relative to history and peers. This suggests that the multiple-expansion phase of the rally may be maturing, though we retain high conviction in names with positive earnings revisions.

Beyond China, we continue to find compelling AI-ecosystem opportunities across North Asia, particularly in Taiwan and Korea, where revisions potential remains robust. That said, we are increasingly mindful of crowding, momentum, and correlation risks in these areas and are managing exposures accordingly.

In contrast, India remains underweight within the strategy due to muted earnings revisions and sustained competitive pressures that have constrained earnings delivery. Valuations, however, have normalised for the first time in several years, prompting us to consider selectively reducing the underweight by adding to innovative companies in areas such as quick-commerce and those positioned to benefit from a potential credit and rates inflection alongside the government's renewed commitment to reviving the consumer.

Turning to Latin America, we maintain a modest overweight in Brazil, though many financials and state-linked enterprises now appear fairly valued. A more constructive stance would require further compression in country risk premiums, which will depend on the outcome of the upcoming presidential election and progress on fiscal discipline and inflation management. Elsewhere in the region, we remain positive on material-intensive economies such as Peru, given our optimism on copper prices, which should benefit from grid construction and an improving global growth backdrop. Similarly, we retain a constructive view on South Africa, where we hold diversified positions across platinum, consumer lending, and telecom sectors.

We also remain encouraged by the monetary and fiscal discipline demonstrated in Central and Eastern Europe (CEE), notably in Poland and Hungary, where we see select companies well-positioned to benefit from any rebound in European growth.

From a macro perspective, we believe the U.S. dollar has temporarily found a floor, which coincides with the deceleration of the beta-driven rally in emerging-market equities. Globally, and more prominently in the U.S., we continue to observe the public sector acting as a backstop to private-sector weakness, sustaining the financialisation of economies and contributing to a perpetual nominal reflation of financial assets.

We are closely monitoring behavioural dynamics, particularly the narrow concentration of returns and the extreme outperformance of favoured sectors such as semiconductors. Absent a clear inflection in the economic or manufacturing cycle, investors continue to face a "TINA" (There Is No Alternative) environment, driving capital toward areas capable of growth irrespective of macro conditions, including AI.

We remain vigilant in tracking intra-portfolio correlations linked to these winning themes and plan to gradually diversify exposures through our Recovery and Consistent Growth buckets. As market conditions normalise following an extended period of short covering and position squaring, we anticipate mid- and small-cap companies will represent a growing share of opportunities within the strategy.

While near-term dynamics remain fluid, we are encouraged by early indications of a shift toward fundamentals-driven performance in emerging markets. Our focus remains on identifying durable growth franchises with improving earnings revisions, disciplined capital allocation, and exposure to structural innovation themes that transcend market cycles.

Sincerely,

Heptagon Capital and Driehaus Capital Management

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Annualized Total Returns

	Q3 25	1-Year	3-Year	5-Year	10-Year
Driehaus Emerging Markets Equity Fund	10.6%	16.2%	17.2%	7.5%	10.2%
MSCI Emerging Markets NR Index	10.6%	17.3%	18.2%	7.0%	8.0%

Source: Morningstar
Fund performance relates to the UCITS Fund (IE00B6ZZNB36, net of fees, in USD).

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I 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.

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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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

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