ICM KAVF Korea Active Value-up Fund

MANAGED BY ICM GLOBAL FUNDS

Fund details

Investment strategy

ICM KAVF (the "Fund") invests in a concentrated portfolio of deeply undervalued South Korean companies positioned to benefit from supportive policy reforms. Through rigorous bottom-up research and direct engagement with management, the locally based investment team seeks to unlock value through governance reform, operational improvement and capital structure optimisation, with the objective of delivering attractive risk-adjusted absolute returns.

Fund structure

The Fund was launched on 2 December 2024 and is a registered sub-fund of ICMGF Innovation VCC (the "VCC"), a variable capital company incorporated in the Republic of Singapore. In accordance with Section 29 of the VCC Act, the Fund's assets and liabilities are segregated from those of the VCC's other sub-funds. The Fund is managed by ICM Global Funds Pte. Ltd. as an open-ended collective investment scheme with no fixed duration.

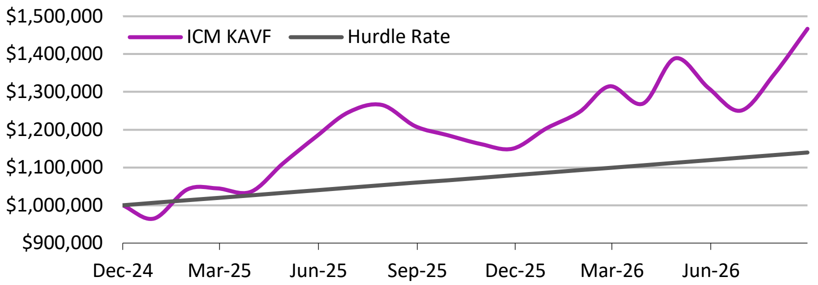
AUM

The Fund's investment team currently manages approximately US$49 million across the Fund and separately managed accounts, all of which follow an investment strategy consistent with that outlined above.

Fund performance

Cumulative performance

(after all fees and expenses, including performance fee accruals)



Illustrates the growth of a US$1,000,000 investment since the Fund's inception.

NAV monthly performance

(after all fees and expenses, including performance fee accruals)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2024												-3.5%	-3.5%
2025	8.0%	0.3%	-0.9%	7.2%	6.4%	5.4%	1.5%	-4.4%	-2.0%	-2.0%	-1.0%	4.6%	24.7%
2026	3.6%	5.4%	-3.5%	9.4%	-5.7%	-4.6%	7.7%	8.9%					21.9%

Summary of key investment terms and service providers

Eligible Investors	Accredited or Institutional Investors[1] only
Minimum Initial Investment	US$500,000 or subject to the discretion of the Board of ICMGF Innovation VCC
Management Fee	1.0% per annum of NAV
Hurdle Rate	8.0% per annum
Performance Fee	20.0% of the outperformance of the Hurdle Rate, subject to high watermark
Pricing	Monthly in US dollars
ISIN	SGXZ94742145
Administrator	ASCENT Fund Services (Singapore) Pte. Ltd.
Auditor	EisnerAmper PAC
Counsel	Shook Lin & Bok

Note 1: Accredited Investors and Institutional Investors as defined in section 4A of the Singapore Securities and Futures Act.

Investment team lead

Jae Yoo

Jae Yoo, CFA, brings over 19 years of experience in capital markets and corporate finance. Before joining ICM in 2019, he held senior positions at leading investment banks and consulting firms, where he advised blue-chip corporates on strategic and capital structure matters and executed M&A mandates for global and top-tier private equity sponsors, including non-core asset divestitures and public-to-private transactions. This experience underpins his leadership of engagement initiatives focused on creating value through governance reform, operational enhancement, and capital structure optimisation. Bilingual in Korean and English, Jae is based in Seoul, South Korea.

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Market insight

Korean equities remained volatile in August, with five sidecar activations (temporary five-minute suspensions of programme-trading orders triggered when index futures move up or down by 5%), although conditions eased from July's extremes. The KOSPI rose 3.4% following a 22.2% decline in July. For ICM KAVF, the more significant development was the continued progress of Korea's capital-market reform agenda, particularly proposals aimed at addressing what policymakers have termed "share price suppression".

As discussed in previous newsletters, Korea's inheritance tax framework can give controlling shareholders an incentive to tolerate depressed valuations ahead of succession. Reforms that weaken this incentive, alongside measures to improve capital allocation and board accountability, could help address some of the structural causes of the Korea discount. Four proposals, spanning three areas, are particularly relevant to our strategy.

The first two are amendments to the Inheritance and Gift Tax Act sponsored by two ruling-party lawmakers. Broadly, where the relevant market price valuation of listed shares falls below 80% of net asset value, the proposals would apply valuation rules similar to those used for unlisted companies, incorporating assets and earnings and subject to a floor of 80% of net asset value. The aim is to reduce the tax advantage associated with depressed share prices at the point of inheritance or gifting.

The potential reach is considerable. A parliamentary review using October 2025 data identified 1,053 companies, or 41.8% of the KOSPI and KOSDAQ companies analysed, trading below 0.8x book value. This historical snapshot illustrates the breadth of the proposed approach; the number ultimately affected would depend on the final rules and circumstances at the time of a taxable transfer.

The government's alternative, announced on 3 August, takes a narrower approach based on valuation relative to industry peers, review by the National Tax Service and an opportunity for taxpayers to rebut the presumption of tax avoidance. Under this framework, meeting the screening criteria would trigger an assessment of the relevant inheritance or gift. The debate therefore centres on how to identify deliberate share price suppression while recognising that companies can trade cheaply for legitimate economic reasons.

For ICM KAVF, the significance lies in the potential change in controlling shareholder incentives. If depressed valuations confer less of a tax benefit, one source of resistance to higher dividends, treasury share cancellation, disposals of non-core assets and more efficient balance sheets could weaken. This could create a more favourable environment for constructive engagement on capital allocation.

The third proposal, sponsored by another ruling-party lawmaker, would require listed companies trading below 1.0x book value for two consecutive fiscal years to prepare and disclose a Corporate Value-up Plan. This would cover the use of distributable profits, treasury-share repurchases and cancellations, and business restructuring.

A mandatory plan could give investors a clearer basis for holding boards accountable. Engagement could focus on the credibility of management's commitments, the proposed timetable and subsequent delivery. For the Fund, this could strengthen discussions around capital returns, return on equity and underutilised assets. Its effectiveness would ultimately depend on the quality of the plans and the actions taken to implement them.

Since month-end, a fourth proposal has emerged as another potential catalyst. The so-called "Korean-style Bear Hug" bill would strengthen disclosure requirements around material acquisition approaches and require boards to publish a reasoned opinion on qualifying tender offers. This could make it more difficult for boards to dismiss an attractive approach without shareholders being informed of its terms and the board's assessment.

Many companies in our investment universe trade at substantial discounts to the value we attribute to their operating businesses, cash, property and securities holdings. An acquirer may be able to offer a meaningful premium to the market price while still paying less than our assessment of intrinsic value. Greater transparency would put pressure on boards to explain why rejecting an offer serves shareholders' interests and how continued independence could deliver greater value. Controlling stakes, financing

Source: National Assembly.

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requirements and the final scope of the rules would still constrain takeover activity.

Together, these proposals could make persistent undervaluation harder to sustain. Korea has long offered an abundance of statistically cheap companies, but the challenge has been identifying credible catalysts that can translate those discounts into shareholder returns. Changes to succession incentives, stronger accountability for capital allocation and greater scrutiny of acquisition proposals could expand the routes through which value is realised.

Fund performance

ICM KAVF gained 10.8% in August, after all fees and expenses but before performance fee accruals. Most of our portfolio companies performed strongly following positive half-year results. The Korean won's 5.0% appreciation against the US dollar provided a further boost to returns.

We have noted that the won appeared undervalued relative to Korea's economic fundamentals and its historical trading levels. Its recent appreciation is consistent with that view, although the pace of the adjustment has attracted considerable market attention. Even after this recovery, the won still appears weak by historical standards.

The won's recovery was supported by strong export receipts, particularly semiconductors, and substantial corporate dollar selling, including conversions linked to SK Hynix's US fundraising and August tax payments. Broader US dollar weakness and reduced foreign equity outflows also helped. The Bank of Korea's second consecutive 25 basis point increase, taking its policy rate to 3.00% on 27 August, narrowed the US interest-rate advantage. In our view, higher domestic rates are likely to remain supportive of the won, although the outlook will also depend on US monetary policy and the persistence of these currency flows.

Important notes

About the Investment Manager

ICM Global Funds Pte. Ltd. is incorporated in Singapore and is a wholly owned subsidiary of ICM Limited. The Investment Manager holds a Capital Markets Services licence issued by the Monetary Authority of Singapore to carry out fund management activities. The Investment Manager serves accredited and institutional investors across a range of asset classes and strategies, including equities, fixed income and alternative investments (such as private equity, private debt/convertibles and structured products). Funds are primarily structured as Variable Capital Companies (VCCs), which may offer operational flexibility and other structural features.