ICM KAVF Korea Active Value-up Fund

MANAGED BY ICM GLOBAL FUNDS

Fund details

ICM KAVF (the "Fund") employs a specialised strategy targeting deeply undervalued South Korean stocks poised to benefit from supportive policy tailwinds. Led by an experienced, locally based team that engages directly with management, the Fund aims to unlock value through governance reform, operational improvement and capital structure optimisation, accelerating policy-driven re-ratings and delivering attractive risk-adjusted absolute returns.

Investment approach

The Fund seeks to invest in a concentrated portfolio of 10-20 holdings, selected through rigorous bottom-up analysis and 360-degree primary research, while pursuing active engagement strategies aimed at delivering absolute returns. Position sizes are tailored to suit the engagement strategy for each company.

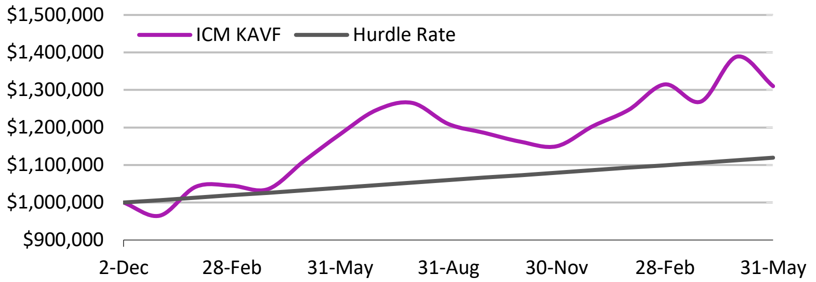
The Fund

The Fund 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 other sub-funds within the VCC. The Fund is managed by ICM Global Funds Pte. Ltd. as an open-ended collective investment scheme with no fixed duration.

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%								8.9%

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 18 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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Fund letter May 2026

Market insight

May was another extraordinary month for Korean equities. The KOSPI closed at a fresh all-time high of 8,476, pushing its YTD gain to roughly 101%, building on the historic 76% return delivered in 2025. Korea has firmly established itself as one of the defining equity market stories of this cycle. However, as we have consistently highlighted, this rally remains highly bifurcated. Performance is overwhelmingly concentrated in a handful of large-cap names and select AI beneficiaries. The contrast is notable: while the KRX mid-to-large-cap index has surged 109% this year, the small-cap index has risen just 8%, despite housing nearly twice as many companies.

The defining development of the month was the entry of both Samsung Electronics and SK Hynix into the global $1 trillion market cap club, a milestone previously reached by only twelve other companies worldwide. Samsung crossed the mark on 6 May, fuelled by record 1Q results where operating profit surged to roughly ₩57 trillion, more than its entire full-year 2025 profit in a single quarter. SK Hynix followed suit on 27 May, with its shares surging as much as 15% intraday after Nvidia reported a blowout 1Q. Nvidia's results completely reset market expectations for AI hardware demand, directly reinforcing the earnings outlook for Korea's leading memory producers. Consequently, Korea became the only country outside the United States to house two companies simultaneously valued above the $1 trillion mark.

The extreme concentration of this rally warrants close attention, a dynamic most clearly illustrated by the severe divergence between Korea's two main exchanges. While the KOSPI surged roughly 28% in May, the KOSDAQ, home to the small- and mid-cap companies at the core of our portfolio, fell by roughly 10%. This marks one of the widest monthly performance gaps between the two indices on record. This polarisation was not limited to the KOSPI-KOSDAQ divide; it was glaringly evident within the KOSPI itself. On the day SK Hynix crossed $1 trillion in market capitalisation, 826 of the index's 948 constituents actually declined. By the end of May, Samsung Electronics and SK Hynix together accounted for a staggering 51% of the index's total market cap. When you include related proxy plays like SK Square and Samsung C&T, now the third and tenth largest stocks in the market, respectively, this concentration becomes even more pronounced. In effect, Korea's headline index is scaling new highs while the rest of the market gets left behind. This environment is the clearest expression yet of the market bifurcation we have consistently highlighted. While it creates short-term performance headwinds for a strategy anchored in the deeper reaches of the Korean market, it also strongly reinforces our conviction. The fundamental undervaluation we are targeting remains completely intact, and in many cases, that discount has only grown wider.

On the macroeconomic front, May's most significant development was Governor Shin Hyun-song's first Monetary Policy Committee meeting on 28 May. As widely expected, the Bank of Korea (BOK) left its benchmark rate unchanged at 2.5% for an eighth consecutive meeting. Beneath the surface, however, the accompanying signals marked a clear pivot in policy stance. Two of the seven board members formally dissented in favour of an immediate rate hike. Furthermore, the bank's forward guidance showed a decisively hawkish tilt: 19 of 21 policy projections pointed to higher rates over the next six months, with 10 dots clustered at the 3.0% mark. Alongside this shift, the BOK significantly upgraded its economic outlook. Driven by a robust, semiconductor-led export recovery and a 1Q expansion of 1.7%, the fastest in nearly six years, the central bank raised its 2026 GDP forecast from 2.0% to 2.6%. Meanwhile, sustained upward pressure from oil prices and a weaker won prompted an upward revision to the inflation forecast, shifting from 2.2% to 2.7%. Governor Shin made the trajectory explicit during his press briefing, noting that growth, inflation, the exchange rate, and the housing market are all pointing in the same direction. Consequently, markets are now treating a 25-basis-point hike to 2.75% in July as the base case, with a further move to 3.0% broadly anticipated by year-end. For our portfolio, the direct implications of this tightening cycle are highly manageable, as most of our holdings carry conservative balance sheets. However, rising interest rates and the prospect of a stronger won will undoubtedly shape the valuation and capital allocation environment for the broader Korean market.

Another major structural development this month was the opening of direct access to Korean equities

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for international investors. In May, Interactive Brokers became the first major US broker to offer seamless KRX trading worldwide. By utilising the new foreign omnibus account framework to batch orders through a master account, the broker eliminates the need for overseas retail investors to maintain localised Korean accounts, an administrative hurdle that has deterred foreign participation for decades. We view this as a permanent structural upgrade to market access. Early flows have predictably concentrated in large-cap semiconductors with over ₩2.2 trillion in net-buying through omnibus accounts in just three weeks. For our strategy, the long-term implications are what matter. These restrictions have artificially suppressed the foreign retail base since the 1997-98 Asian Financial Crisis. As these barriers fall and overseas investors grow comfortable with Korea via large-cap exposure, we expect capital to naturally cascade down the market cap spectrum. Ultimately, this liquidity should find its way into the deep value and governance-reform plays of the small- and mid-cap universe. Because this segment trades at the most extreme discounts to intrinsic value, we regard this access expansion as one of the most consequential structural developments of 2026.

May also sharpened a structural risk we have long flagged: the growing leverage of organised labour. A major strike was narrowly averted on May 21 when Samsung Electronics reached a last-minute deal with over 47,000 workers. Management agreed to a bonus pool worth 10.5% of its chip-division operating profit, benchmarked against SK Hynix's 10% framework, handing chip employees an average payout of roughly US$340,000 this year. While Samsung shares climbed 9% on the news, the settlement sets a highly visible profit-sharing precedent just as corporate earnings reach historic highs. The structural catalyst is the Yellow Envelope Act, which took effect in March 2026. By extending the legal definition of an "employer" to parent companies and expanding the scope of permissible disputes to cover restructuring, the Act has dramatically emboldened unions. The ripple effects are already spreading, fuelling a first-ever IT walkout at Kakao. For investors focused on capital allocation, this is a critical and underappreciated counterforce. The same earnings momentum driving record valuations is generating the exact profit pools over which labour can now assert a larger claim. Over time, this dynamic will inevitably pressure the free cash flow, dividends, and buybacks that anchor our engagement thesis.

Another significant policy tailwind is the launch of the National Growth Fund, the Lee administration's flagship industrial initiative. Part of a ₩150 trillion (c.US$100 billion) five-year plan, the fund pools household savings, policy finance, and private capital into advanced strategic sectors like AI, semiconductors, and robotics. Its retail tranche, featuring a five-year lockup and a state-backed 20% first-loss buffer, sold out in minutes on 22 May, highlighting the feverish retail appetite currently sweeping the market. What matters most for our strategy is the fund's specific allocation framework: 10% is targeted at the KOSPI, 30% at KOSDAQ and unlisted equities, and 60% at strategic industries. A substantial portion of the latter is earmarked for small-to-mid-cap tech firms through rights offerings and mezzanine instruments. This represents a deliberate, state-directed injection of liquidity into the exact small- and mid-cap segments that have heavily lagged the mega-cap rally.

While state-directed capital inherently carries the risk of politically rather than commercially driven decision-making, the directional impact should be positive for our universe. It introduces a powerful, structural source of incremental demand for the under-owned, deeply discounted assets we target, liquidity that simply did not exist a year ago.

Fund performance

The Fund's NAV declined 5.7% in May, pulled down partly by a c.2% depreciation in the won against the USD. The primary headwind was a broad small-cap sell-off as capital crowded heavily into mega-cap semiconductors. Given our deliberate focus on smaller value names, the portfolio bore the direct brunt of this market polarisation. While a negative return is never welcome, this drop reflects a market-wide repricing rather than any fundamental or operational deterioration in our holdings. If anything, the widening gap has only deepened the discount on our positions, making this dislocation a compelling opportunity for future upside rather than a reason to alter our strategy.

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Important notes

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