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.

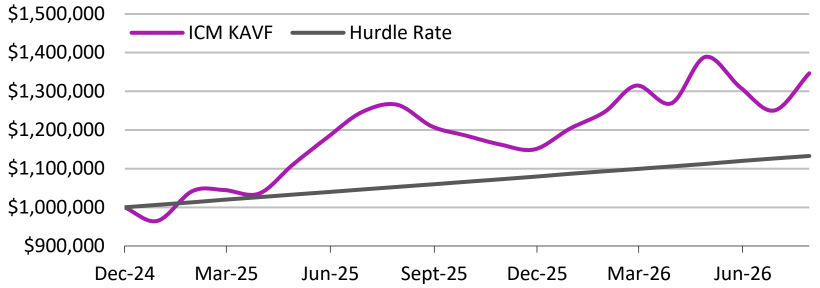
AUM

The Fund's investment team currently manages approximately **US$46 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%						11.9%

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.

For more information visit: www.icmglobalfunds.com
Registered Office: 20 Collyer Quay, #24-05, Singapore 049319
Contact: icmkavf@icm.limited

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Fund letter July 2026

Market insight

July was an exceptionally volatile month for Korean equities. The KOSPI declined by 22.2%, despite an extraordinary 17.9% rebound in the final trading session, while the KOSDAQ fell by 21.4%, highlighting the breadth of the sell-off. During the most disorderly phases of the correction, market-wide circuit breakers were triggered, while forced liquidation and the unwinding of leveraged positions appear to have amplified already severe price movements.

The mechanics of the decline were at least as important as the fundamental concerns that triggered it. Margin loans held by Korean retail investors stood at approximately ₩34 trillion (c.US$24 billion) in mid-July, around 10% below the late-June record of c.₩38.6 trillion. At the same time, substantial exposure had accumulated through leveraged single-stock products linked to Samsung Electronics and SK Hynix, which were introduced in May. As prices declined, product rebalancing, margin calls and forced selling appear to have created a negative feedback loop. The same leverage that had helped accelerate the first-half rally subsequently magnified the reversal.

Concerns regarding the semiconductor cycle were nevertheless also important. Investors began questioning whether the pace of global AI infrastructure spending could be sustained, whether elevated valuations had already discounted several years of earnings growth and whether emerging Chinese memory producers could erode the exceptional profitability implied by prevailing expectations. SK Hynix's results illustrated the challenge: operating profit increased more than sixfold, yet the shares still fell as the result failed to meet increasingly demanding expectations.

Overall, our view is that July represented, to a significant degree, the unwinding of an unusually crowded and leveraged trade rather than a comparable deterioration in the underlying value of the broader Korean corporate sector. This interpretation is consistent with contemporaneous market commentary highlighting liquidity, positioning and forced deleveraging as important drivers of the sell-off. Semiconductor companies may continue to generate strong earnings, but strong earnings alone do not protect investors when expectations, ownership concentration and leverage have become excessive. The scale and speed of the subsequent rebound also suggest that positioning and liquidity played an unusually large role in market movements, rather than corresponding day-to-day changes in intrinsic value.

The regulatory response has appropriately focused on leverage. On 16 July, the Financial Services Commission temporarily suspended new listings of single-stock leveraged products and prohibited related advertising and promotional activity, while subsequently bringing forward the increase in the minimum cash deposit requirement to ₩30 million to 31 July. Following the late-July sell-off, the authorities announced further measures, including a potential 20% cap on individual investor exposure, higher costs for excessive trading and simulated-trading requirements. These measures should help curb the most speculative activity, although they have been introduced only after the products had grown large enough to contribute materially to market volatility.

The macroeconomic environment remained considerably stronger than the equity correction might suggest. Korea's real GDP expanded by 0.6% QoQ and 3.7% YoY in the second quarter. The Bank of Korea (BoK) expects the robust semiconductor cycle and its spillover effects to support faster growth, although it continues to identify geopolitical developments and the sustainability of global AI investment as significant uncertainties.

Stronger growth has, however, removed the prospect of near-term monetary easing. On 16 July, the BoK unanimously increased the base rate by 25 basis points to 2.75%. It cited stronger exports and investment, inflation expected to remain above target for a considerable period, rising housing prices and continuing financial-stability risks. The BoK also indicated that a policy stance consistent with further rate increases would be necessary.

This creates an unusual environment for Korean equities. The underlying economy is improving, but the discount rate applied to financial assets is also increasing. This is particularly challenging for leveraged strategies and companies whose valuations depend upon distant or highly optimistic earnings assumptions. It is considerably less threatening to conservatively financed businesses

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generating cash at current levels of economic activity.

Higher interest rates should also make capital-allocation discipline more important. Boards holding cash materially beyond their foreseeable operating requirements will face increasing pressure to demonstrate that retention produces a better long-term return than dividends, share repurchases, investment in the core business or the disposal of non-core assets. For the companies in our investment universe, this should increase the economic visibility of inefficient balance sheets.

July also saw further progress in Korea's governance reform agenda. Key provisions of the 2025 Commercial Code amendments took effect on 23 July, including the aggregate 3% voting cap for audit committee members and higher independent director requirements, while the first major revision of the Korea Stewardship Code since 2016 introduced stronger escalation procedures, sustainability considerations and formal recognition of collaborative engagement. The revised Code also more directly links stewardship outcomes to investment decisions, potentially increasing pressure on domestic institutions and external managers to demonstrate credible engagement capabilities. Other initiatives, including proposed improvements to shareholder-meeting procedures, greater scrutiny of persistently low-PBR companies, tighter protections around split listings and the sustainability disclosure roadmap, could further strengthen the infrastructure for shareholder participation. We will examine each of these measures in greater detail as implementation progresses and further developments emerge.

Fund performance

ICM KAVF was up by 7.7% in July, or +2.4% in local currency terms, outperforming the KOSPI by 24.6 percentage points and the KOSDAQ by 23.8 percentage points (in local currency terms).

The result reflects the portfolio's limited exposure to the leveraged semiconductor trade that dominated the broader indices. Our holdings remain concentrated in under-researched companies with strong balance sheets, significant asset backing and company-specific opportunities to improve governance or capital allocation. This differentiated exposure is also reflected in the Fund's beta to the KOSPI, which has been approximately 0.2 since inception.

Several portfolio companies had participated only modestly in the preceding market rally and entered July at valuations that already reflected subdued expectations. Their performance was therefore driven more by company-specific developments and a reappraisal of underlying value than by broader market momentum.

We do not expect the Fund to be insulated from every broad market correction, but July highlighted the diversification benefits of owning companies driven by idiosyncratic catalysts rather than the semiconductor cycle or broader market sentiment. While the market outlook remains uncertain, many of our target companies continue to trade well below their intrinsic value, with further potential catalysts from Korea's evolving governance reforms.

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Important notes

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About the Investment Manager

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