

ICM KAVF Korea Active Value-up Fund



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.

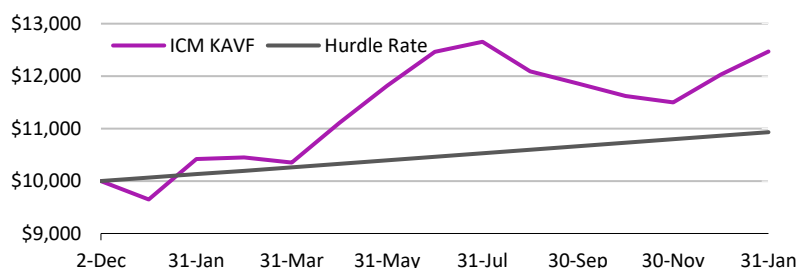
The Fund

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\$10,000 investment since the Fund's inception.

NAV monthly performance

(after all fees and expenses, but prior to 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%	8.4%	7.8%	6.5%	1.7%	-5.5%	-2.5%	-2.6%	-1.4%	5.6%	26.9%
2026	4.4%												4.4%

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	BTPLaw LLC

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 January 2026

Market insight

The KOSPI ended January at 5,224, comfortably above the government's 5,000-point target that had previously been viewed as ambitious. However, the composition of this rally highlights the persistent market bifurcation we identified in our 2025 review. While the headline index rose 21.2%, this performance was largely driven by strong inflows into a small group of mega-cap stocks, including Samsung Electronics (+34%), SK Hynix (+40%), and Hyundai Motor (+69%). By contrast, the broader market lagged, with a simple average of KOSPI constituents increasing by only 6%. This concentration leaves much of the market potentially poised for a catch-up move, but also means that the durability of the rally is likely to depend more on policy delivery than sentiment alone.

Against this backdrop, the Korean market's rapid repricing now faces a test of sustainability. While some investors have questioned whether the government's reform momentum might wane after reaching the symbolic KOSPI 5,000 milestone, we believe policy commitment remains robust. For example, on 22 January, the very day the index first breached 5,000, President Lee reportedly urged the KOSPI 5,000 Special Committee to expedite the third revision of the Korea Commercial Code, specifically mandating the cancellation of treasury shares, and explicitly endorsed the proposed "Anti-Share Price Suppression Law." As previously discussed, the related amendment to the Inheritance and Gift Tax Act represents a transformative tailwind for our strategy by valuing companies trading below 0.8x P/B in a manner similar to unlisted firms for inheritance tax purposes. This effectively disincentivises controlling shareholders from maintaining chronically depressed valuations. With President Lee instructing his policy chief to prioritise this legislation, we view it as a structural catalyst likely to drive capital rotation toward the deeply undervalued companies anchoring our portfolio.

In parallel with these domestic governance reforms, the government also advanced a comprehensive capital market reform roadmap in January aimed at securing Korea's inclusion in the MSCI Developed Markets Index. The planned 24-hour opening of the FX market in July is widely regarded as the most significant step forward, while the roadmap also

addresses long-standing MSCI concerns, including enhancements to omnibus accounts, the introduction of an offshore won settlement system, expanded English disclosures, and more advanced dividend procedures, raising the prospect of Korea entering MSCI's Watch List as early as June. Although we view the potential Developed Market inclusion as somewhat double-edged, given likely greater large-cap concentration and reduced relative weighting versus the Emerging Markets Index, we believe the proposed reforms are broadly positive for the Korean equity market.

A key beneficiary of these reforms should be greater foreign retail participation in Korean equities. We are particularly encouraged by efforts to expand market access to small and mid-sized overseas brokers, which should meaningfully improve overseas retail investors' ability to trade Korean stocks. The government is in discussions with four foreign brokers, including Emperor, Interactive Brokers, TFI, and BancTrust, to advance this initiative, supported by the 24-hour FX market and the existing foreign omnibus account framework. We expect foreign retail investors to become an increasingly important source of demand for Korean small- and mid-cap stocks, which have historically been under-owned by foreign institutions.

Another key development this month has been the government's renewed focus on cooling the heated residential property market, including proposals to raise taxes on multi-home owners as part of a broader strategy to redirect capital from real estate into equities. Korean households have historically relied on residential property as their primary engine of wealth creation, but this model is facing structural limits as the Lee administration signals a more restrictive stance toward housing. This strategy nonetheless carries meaningful macro and financial stability risks, given Korea's high household debt levels and the powerful wealth effects tied to housing. A sharp or politically driven cooling of the property market could weigh on consumption, complicate the government's 2% GDP growth target for 2026, and create potential dislocations in the financial system, even though it may, over the longer term, encourage greater participation in the equity market.

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Fund performance

The Fund's NAV increased by 4.4% in January, with the USD/KRW exchange rate broadly flat over the month. In anticipation of the March AGM season, we have stepped up our engagement with portfolio companies as well as with fellow shareholders in these companies. Our engagement strategy is already delivering pre-emptive outcomes. Companies are increasingly looking to adopt our recommendations proactively to avoid the reputational risk associated with public shareholder disputes. For example, we recently secured a tax-efficient dividend policy simply by signalling our intention to file a proposal. In parallel, we have issued shareholder letters and are currently engaged in discussions with three companies regarding enhanced shareholder returns, as well as with four additional companies concerning the appointment of minority-nominated statutory auditors and board members. While some of these engagements may ultimately proceed to a proxy battle, our leverage rests on our reputation as a "credible threat." Companies that review our track record, particularly our investment team's involvement in the 2020 success blocking an illicit share issuance and assuming control of a Korea-listed company, recognise our willingness to pursue legal action to protect shareholder value. Importantly, our precedent of requiring directors to personally bear legal costs serves as a meaningful deterrent. As a result, management understands that we are prepared to shift from constructive dialogue to a more confrontational approach if necessary.

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Important notes

The information presented in this document is solely for information purposes and is not intended to be, and should not be construed as, an offer or recommendation to deal in ICMGF Innovation VCC - ICM KAVF (Registration number T23VC0027A-SF001). Investments in the Fund are subject to investment risks and the value of investments and the income derived from them may fall as well as rise and investors may not get back the principal amount invested. Past performance is not indicative of future performance. Investors should read the information memorandum along with the supplement(s) and seek relevant professional advice before making any investment decision. The information presented has been obtained from sources believed to be reliable, but no representation or warranty is given or may be implied that they are accurate or complete. The Investment Manager, ICM Global Funds Pte. Ltd. (UEN: 202031600G), reserves the right to make any amendments to the information at any time, without notice. This document is intended solely for institutional investors and accredited investors as defined under the Securities and Futures Act (Cap 289) of Singapore. This document has not been reviewed by the Monetary Authority of Singapore.

About the Investment Manager

ICM Global Funds Pte. Ltd. is incorporated and based in Singapore, and is a wholly owned subsidiary of ICM Limited. ICM Global Funds Pte. Ltd. is a fund management company serving accredited and institutional investors across a range of asset classes and strategies from traditional equity and fixed income, to alternative investments such as private equity, private debt/convertibles, and structured products. ICM Global Funds Pte. Ltd. is regulated by the Monetary Authority of Singapore and holds a Capital Markets Services license to conduct fund management activity. ICM Global Funds Pte. Ltd. manages funds primarily through variable capital company structures which provide flexibility, tax efficiency and privacy to clients.