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 South Korean companies that the investment team considers undervalued and 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.

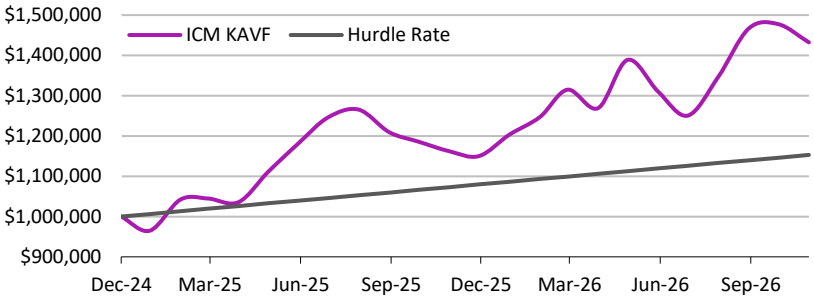
AUM

As of 30 October 2026, the Fund's investment team manages c.US$47.5 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%	0.7%	-3.1%			19.0%

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	Adminis Investment Services 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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Fund letter October 2026

Market insight

Korean equities fell sharply in October, with the KOSPI down 16.2%. Foreign investors sold heavily as doubts grew over whether the global AI investment boom could sustain its current pace. The semiconductor stocks that had driven the market higher were among the hardest hit. Yet Korea's economic data remained exceptionally strong. According to the Ministry of Trade, Industry and Resources, September exports reached a record US$120.9bn, up 83.5% year-on-year, and the trade surplus reached US$49.9bn. The Bank of Korea (BOK) reported that real GDP grew 1.0% quarter-on-quarter in 3Q26, ahead of expectations, and 3.4% year-on-year. The composition was less encouraging. Private consumption fell 0.2%, while equipment investment rose 4.1%, driven largely by semiconductor-related machinery. Korea's growth is strong, but it remains heavily dependent on one industry and one global investment cycle.

The BOK kept its policy rate at 3.0% on 22 October, following increases in July and August. It acknowledged the strength of exports and investment, inflation around 3%, and renewed pressure in the Seoul housing market, but preferred to assess the effects of its earlier rate increases and growing external risks before moving again. The BOK left open the possibility of further increases. For the Fund, a higher-rate environment cuts both ways. Several of our holdings have substantial net cash positions and benefit from higher interest income, while those exposed to domestic consumption face a more difficult environment. More broadly, the contrast between Korea's industrial success and the valuations of many smaller listed companies remains striking.

The more important news for our investment strategy came from corporate governance. On 23 October, SK Hynix said it would discontinue reviewing a potential pre-IPO fundraising and US listing of Solidigm, its NAND and enterprise SSD subsidiary. The proposal had attracted criticism from minority shareholders and governance advocates, alongside regulatory scrutiny. The Korean Corporate Governance Forum (KCGF) argued that a listing would introduce yet another layer into SK Group's already complex ownership structure, allowing the controlling shareholder to retain control while reducing the economic interest of SK Hynix's existing shareholders. It also questioned related investments by other SK affiliates and why a company expected to generate substantial cash flow needed to sell part of a valuable subsidiary to fund its growth.

The investment argument was straightforward. SK Hynix shareholders paid for the Solidigm acquisition and bore the losses while the business was being turned around. They should also be entitled to the benefits as its prospects improve. Selling a stake in a subsidiary may make sense where capital is genuinely scarce or where the price is compelling, but neither should be assumed. The KCGF's concern was not simply that Solidigm might list overseas. It was that the transaction could preserve control at the top of the group while transferring part of the economic upside away from existing shareholders. In our view, such transactions can give rise to potential conflicts of interest.

We cannot know how much shareholder pressure influenced the decision. SK Hynix cited market conditions and share price trends, and the sharp decline in semiconductor valuations would itself have been reason to reconsider a large IPO. Nevertheless, one part of its announcement stood out: the company said it needed to reassess whether an IPO was the most beneficial option for SK Hynix and its existing shareholders at this time. The fact that existing shareholders were explicitly part of that assessment matters. The KCGF welcomed the suspension but asked SK Hynix's board to debate the options formally and disclose its reasoning. A temporary halt, without proper board scrutiny, is not the same as a permanent resolution.

A few years ago, it would have been much harder to imagine a leading Korean conglomerate responding so visibly to minority shareholder concerns. Subsidiary listings and group restructurings were often treated as decisions for controlling shareholders, with outside investors left to absorb the consequences. LG Chem's separation and subsequent listing of LG Energy Solution in 2022 remains a useful reminder of that history. We believe the balance is beginning to shift. Shareholders, particularly retail investors, are better organised and more willing to challenge management; regulators and the media now pay closer attention to potential

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Fund letter October 2026 (continued)

conflicts; and the amendments to the Commercial Code have strengthened directors' duties towards all shareholders. Glass Lewis reported that the number of Korean companies receiving shareholder proposals rose 25% in the 2026 proxy season, with investor-led campaigns increasing from three to eleven. These are still modest numbers, but the direction is encouraging.

We do not want to overstate the progress. SK Hynix has suspended the review rather than ruled out a listing indefinitely, and the question of how Solidigm will be financed remains. More generally, complicated ownership structures, poor capital allocation and resistance to outside shareholders will take time to change. But this is no longer just a discussion about what Korean companies ought to do. Recent developments suggest that public criticism and increased shareholder scrutiny may be influencing corporate decision-making. SK Hynix is not an isolated example: LS Corp also withdrew plans to list its US-based subsidiary Essex Solutions earlier this year after shareholder opposition.

This matters directly to the Fund. We invest in smaller Korean companies with sound businesses, strong balance sheets and valuations that often make little sense relative to their assets and earnings. The challenge has rarely been finding cheap companies; it has been persuading management to treat shareholders as owners and to use capital sensibly. We do not expect every engagement to succeed, and reform alone will not eliminate the Korea Discount. But the Solidigm episode is further evidence that management teams are having to listen more carefully. If that continues, the gap between the underlying value of the companies we own and the prices at which they trade could create opportunities for meaningful value realisation over time.

Fund performance

The Fund's NAV fell 3.1% in October, compared with declines of 11.4% and 8.0% for the KRX Smallcap TMI and Microcap TMI respectively. Although the largest companies were hit hardest, the sell-off was broad across the market.

Year to date, the Fund has returned 19.0% (net of all fees, including accrued performance fees for investors since inception), against -17.2% for the Smallcap TMI and -16.2% for the Microcap TMI. As noted in our previous newsletter, these two indices best represent our investable universe, together accounting for c.78% of listed companies by number.

Important notes

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About the Investment Manager

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