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.

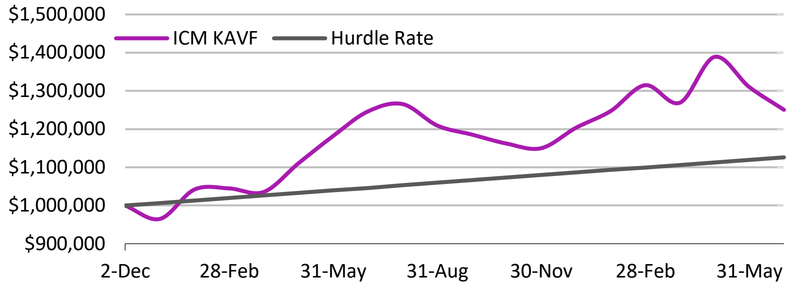
The Fund

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%	-4.6%							3.9%

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.

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

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Fund letter June 2026

1H26 review

We begin this month's commentary with the Fund's performance over the first half of the year, a few of the lessons we have drawn from it, and how it compares with the relevant indices. At the outset, it is worth reiterating that ICM KAVF is an absolute return fund. We include index comparisons only to give context to short-term performance. They are not the yardstick by which we manage the Fund. Over time, we expect to outperform the index meaningfully, but this should be viewed as a byproduct of our absolute return approach rather than the objective itself.

The KOSPI's 1H26 performance was remarkable, with returns heavily concentrated in the AI related semiconductor names, Samsung Electronics and SK Hynix, which rose 179% and 307% respectively and helped drive the index to a 101% return for the half. Notably, however, the KOSDAQ, Korea's secondary board, fell 1% over the same period. We believe a better measure of the Korean equity market is the KRX Total Market Index (TMI), introduced last year by the Korea Exchange as a broad benchmark designed to represent eligible and investable common stocks across both KOSPI and KOSDAQ, rather than the main board alone.

This was not a broad Korean equity rally. It was a narrow large-cap rally. The table below illustrates the sharp divergence within Korea's equity market in 1H26, with gains concentrated almost entirely in the largest listed companies. The KRX 300, representing the 300 largest stocks, returned 117.1%, while the mid-cap segment rose only 7.6%. Smaller companies fared far worse: the KRX Smallcap TMI fell 10.5% and the KRX Microcap TMI fell 11.3%. Market leadership was exceptionally narrow. A handful of large caps carried the index, while the vast majority of listed companies, by number of constituents, lagged badly.

	Number of stocks	1H26 performance
KRX 300	300	117.1%
KRX Midcap TMI	225	7.6%
KRX Smallcap TMI	1,080	-10.5%
KRX Microcap TMI	768	-11.3%

Source: KRX Data Marketplace

This distinction matters for us because the Fund's opportunity set sits almost entirely outside the part of the market that performed well. Against this backdrop, the Fund returned 11.2% in local currency for 1H26. All of our holdings fall within the KRX Smallcap and Microcap universes, which together account for 78% of the constituents of the KRX Total Market Index, making them the most relevant comparators. Against them, the Fund outperformed by a wide margin. This outperformance was driven largely by wins during the AGM season, including Komelon, Samyoung Electronics, and other holdings we have yet to disclose.

Currency was another significant factor in the Fund's first half results. The Korean won depreciated by 7.2% against the US dollar over the period, closing at around 1,549 per dollar on 30 June, a level rarely seen outside the 1997-98 Asian Financial Crisis and the 2008-09 Global Financial Crisis. As we have noted in previous factsheets, we believe the won is materially undervalued at current levels. Korea's trade data and external position remain strong, and recent weakness appears to reflect technical and flow driven pressures, including foreign selling of Korean equities, outbound investment flows, and broad dollar and yen dynamics, rather than any deterioration in Korea's underlying fundamentals. We do not claim expertise in currency forecasting and do not believe the cost of hedging is justified. Our overweight to exporters provides a partial natural hedge against a weaker won, although the offset is only partial, and the currency's impact on the Fund's performance has been material. If the won's current weakness begins to normalise, currency could become a tailwind rather than the headwind it has been in the first half.

Two investments from the first half are worth discussing: Komelon, which worked well, and Daehan Flour Mills, which did not.

Komelon, which we substantially exited during the period, delivered a realised return of approximately 101% for the Fund in under 12 months. The engagement illustrates what we believe is one of the most powerful tools available to minority shareholders in Korea: collaboration. We worked alongside like-minded shareholders whose combined holding nearly matched the controlling shareholder's

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35% stake, united behind an objective of securing a meaningful share buyback. The investment case was straightforward. Komelon held cash and short-term deposits roughly equivalent to its entire market capitalisation, earning minimal interest, while its core business generated EBIT margins above 20% on modest capex. The founder himself acknowledged the undervaluation but preferred to retain cash for contingencies and potential acquisitions. We argued that the idle cash was a structural drag on ROE and that returning it to shareholders was clearly the best use of capital. Our engagement produced results in stages. Ahead of the AGM, we successfully pushed the company to publish a voluntary Corporate Value-up report, committing to a 30-40% dividend payout ratio based on five-year average net profit, annual buybacks and cancellations of up to 1% of shares outstanding, and additional buybacks should the shares trade below 0.8x book value. Then at the AGM itself, faced with a coalition holding near-parity with his own stake, the controlling shareholder agreed to a significant buyback programme. The shares rerated substantially, allowing us to realise our return.

Daehan Flour Mills, by contrast, was our weakest performer of the period, with the shares down 23% YTD following a large price fixing penalty. We knew this was a higher risk engagement from the outset. The controlling family had shown little history of shareholder friendliness. The attraction was valuation. This was one of the roughly twenty deeply discounted Korean names Warren Buffett bought personally in 2004, at around two times earnings, and multiples had drifted back toward those levels. Our thesis was that Korea's improving policy environment gave minority shareholders the leverage to push for change even here.

In practice, the engagement was difficult from the start. Management declined several meeting requests and agreed to engage only after the price fixing penalty, when the board faced potential shareholder litigation. While the company is now showing early signs of a more constructive stance, our capital may be better deployed elsewhere. The lesson was not that valuation was unimportant. It was that valuation alone is insufficient where the business faces unexpected legal risk and the controlling shareholder is unwilling to engage constructively.

The experience reinforced a core tenet of our process: however effective the tools now available to minority shareholders, business fundamentals and the controlling shareholder's willingness to engage remain decisive in position selection. Good outcomes require both valuation upside and a credible path to realising that value.

Looking to the second half, we expect the government to continue pressing governance reform and equipping shareholders with new tools, including a mandatory tender offer rule, fair valuation requirements in M&A transactions, restructuring of listing standards on KOSDAQ, and continued public scrutiny of low-PBR companies. This should draw renewed attention to the segment we principally target, which are overlooked companies trading at deep discounts to intrinsic value. More importantly, we believe the first half reinforced that the opportunity lies not simply in buying cheap stocks, but in identifying situations where minority shareholders have both the tools and the alignment needed to unlock value.

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Important notes

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