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.

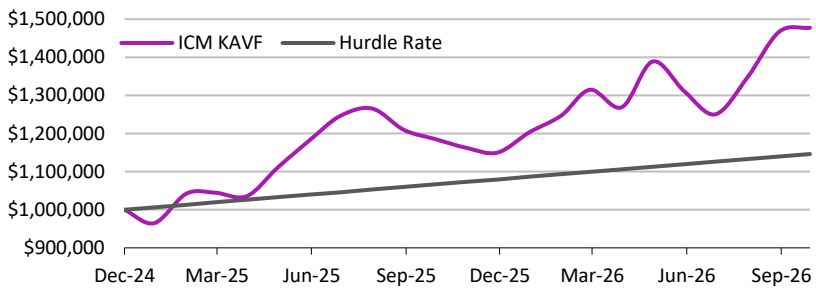
AUM

As of 30 September 2026, the Fund's investment team manages c.US$49 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%				22.8%

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 September 2026

Fund performance

With 3Q complete, we begin this month's commentary by reviewing the Fund's year-to-date performance alongside the relevant indices. The Fund's NAV increased by 0.7% in September, bringing its YTD return to 22.8% after all fees, including performance fee accruals, with a Sharpe ratio of 1.7. Since inception in December 2024, the Fund has delivered an annualised gross NAV return of 26.1%, or 23.8% net of performance fees.

As we noted in our 1H review, ICM KAVF is an absolute return fund. We include index comparisons to give context to performance; they are not the yardstick by which we manage the Fund. Our approach remains focused on company-specific opportunities where undervaluation and constructive engagement offer a credible path to realising value. The Fund's YTD beta against the KOSPI of just 0.03 is consistent with this approach, indicating very low sensitivity to movements in the broader index over the period.

We believe the KRX Total Market Index ("TMI") and its size segments provide a more useful measure of the Korean equity market than the KOSPI alone. While the KOSPI and KOSDAQ each cover a separate market, the TMI includes eligible, investable stocks across both exchanges and weights them by free-float market capitalisation. This provides a broader picture of the market and allows us to examine the segments most relevant to our portfolio.

The table below illustrates the sharp divergence in Korean equity performance this year. The KRX 300 (the largest 300 companies in TMI), which includes Samsung Electronics and SK Hynix, returned 72.1%, while the mid-cap segment rose only 6.8%. Smaller companies fared considerably worse: the KRX Smallcap TMI fell 6.5% and the KRX Microcap TMI fell 8.9%. Gains have remained heavily concentrated in the largest companies, particularly the AI names, while much of the market has lagged.

KRX Total Market Index	31 Dec 2025	30 Sep 2026	YTD return	No. of stocks
KRX 300	2,734	4,705	72.1%	300
KRX Midcap	1,690	1,804	6.8%	225
KRX Smallcap	1,544	1,443	−6.5%	1,080
KRX Microcap	5,511	5,019	−8.9%	768

Source: KRX Data Marketplace.

This distinction matters for us because our portfolio companies fall within the Smallcap and Microcap segments, which together account for c.78% of TMI constituents by number of stocks. The Fund's opportunity set therefore sits almost entirely outside the part of the market that performed well. Against this backdrop, we are encouraged by the Fund's positive return despite the difficult conditions for smaller companies.

We believe this divergence partly reflects capital flowing into AI-related semiconductor names at the expense of smaller companies. A broadening of investor interest could provide an additional tailwind for our holdings, although we do not seek to predict the timing of such a rotation.

Market insight

Korean equities were broadly flat in September, with the KOSPI rising 0.3% to close at 6,838 as higher global bond yields weighed on sentiment towards month-end. The market concentration we have highlighted throughout the year remained evident. Samsung Electronics and SK Hynix rose 3.3% and 6.1% respectively, increasing their combined share of KOSPI market capitalisation to 50.9%. However, foreign investors sold a net ₩21.5 trillion (c.US$16.0 billion) of KOSPI shares, their fifth consecutive month of net selling, with corporate buybacks providing an important offset. The headline index therefore continues to be heavily influenced by semiconductor earnings expectations and investor positioning, while much of the broader market remains overlooked.

On the macroeconomic front, US 10-year Treasury yields increased by c.53 basis points during September, while Brent crude rose around 14%, adding to concerns over inflation and financing costs. Korea's external position however remained strong. September trade data, released on 1 October, showed exports rising 83.5% YoY to a record US$120.9 billion, alongside a US$49.9 billion trade surplus.

For our strategy, the more significant developments were in corporate governance, where attention is increasingly turning to the practical implementation of reforms. From 10 September, listed companies with assets of at least ₩2 trillion could no longer

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Fund letter September 2026 (continued)

exclude cumulative voting through their articles of incorporation, giving qualifying shareholders greater scope to concentrate votes on individual board candidates. As noted in previous factsheets, some companies have adjusted board sizes and director terms to limit minority representation. This reinforces the importance of monitoring whether the substance of the reforms is being respected at the company level.

The mandatory tender offer debate also demonstrated why the details matter. As a member of the Korean Corporate Governance Forum ("KCGF"), we have discussed the proposed framework with fellow members, particularly how to ensure minority shareholders can participate fairly in a change of control. The "50% plus one share" proposal would allow an acquirer to purchase the controlling shareholder's stake privately before offering to buy only enough additional shares to reach a majority. Where the controller owns 40%, it could sell its entire holding, while minorities would collectively be offered an exit for only approximately another 10% of the company.

Where the controlling stake already exceeds 50%, minorities could receive no additional offer. In our view, offering the same price does little to address unequal treatment if shareholders cannot sell the same proportion of their holdings.

The KCGF therefore recommends two minimum safeguards: the controlling shareholder must tender alongside other shareholders, subject to the same pro rata acceptance; and the transaction must receive majority-of-minority approval, excluding the acquirer, selling controller and related parties. Shareholders who vote against the transaction should still be able to tender on equal terms if it is approved. Without these protections, the Forum believes it would be better not to legislate. We share its concern that a poorly designed framework could entrench unequal treatment and allow compliance with the rules to be used as a defence against broader duties to shareholders.

These concerns prompted a coordinated industry response, with domestic and international asset managers calling for the bill to be reconsidered and advocating equal, proportionate participation. Having passed the National Policy Committee on 17 September, the bill was subsequently held back from the National Assembly's 1 October plenary agenda following growing industry opposition. While this delays legislation, we view the opportunity to improve its design as constructive. It also points to a growing willingness among institutional shareholders to influence the rules under which they invest.

Effective enforcement is equally important. During September, the KCGF held a seminar on introducing a specialised commercial court. Judge Kim of the Incheon District Court outlined three requirements for effective governance reform: substantive law, procedural tools such as discovery, and institutions with the expertise to apply them. This framework resonated with us. Korea has made progress on the first and is debating the second, but the courts' capacity to apply the new rules remains a constraint. Judges typically rotate between courts and case types every two to four years, limiting the accumulation of commercial expertise. The seminar highlighted appraisal cases reaching the Supreme Court that took between 537 and 2,757 days, tying up investor capital and reducing the practical benefit of shareholder rights.

Speakers cited Israel's dedicated commercial panel and Korea's rehabilitation courts as examples of specialisation improving processing times. They also cautioned that appointments drawn predominantly from large law firms could create a pro-corporate bias. We agree that diverse appointments, cooling-off periods, balanced panels and publication of judgments should be built in from the outset. For investors, the benefit extends beyond resolving disputes more quickly. Clearer precedents and credible enforcement should also encourage boards to give greater consideration to shareholder interests before making decisions.

Looking ahead, we expect Korea's corporate governance reform to continue into 2027, with greater emphasis on implementation and shareholder participation. Potential catalysts include "bear hug" legislation requiring boards to disclose and explain their response to material acquisition approaches, improvements to AGM procedures, stronger National Pension Service engagement and

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Fund letter September 2026 (continued)

wider adoption of equity-based remuneration. The expected leadership change at the Korea Exchange in February 2027 could also renew pressure for more meaningful value-up plans. We will be watching for measurable commitments, regular board reviews and follow-through on dividends, buybacks and capital allocation.

We believe Korea continues to move in the right direction, even if progress is gradual and uneven. Stronger shareholder rights, more active institutional investors and greater attention to enforcement may provide a more supportive backdrop for our strategy. Our role is to translate these developments into company-specific opportunities and outcomes.

Source: KRX Data Marketplace, Factset.

Important notes

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