PRESS RELEASE

May 12, 2014

KOFIA Publishes Domestic Fund Market Trend Analysis for April 2014

The NAV of total funds decreased by KRW 4tn from the previous month to KRW 333.6tn due to a net outflow from MMFs and equity funds.

1. Overview

Due to a net outflow from equity funds and MMFs at the end of April 2014, the NAV of funds overall decreased by KRW 4tn from the previous month to reach KRW 333.6tn, and the outstanding amount decreased by KRW 3.1tn to record KRW 341.5tn as of April 2014.

2. Market Trends by Fund Type

A. **(Equity Funds)** The total NAV of equity funds recorded KRW 74.6tn, a decrease of KRW 2.7tn(△3.5%) compared to the end of the previous month, as domestic and global equity funds decreased by KRW 2.2tn and KRW 0.5tn, respectively.

- **(Domestic Equity Funds)** As the KOSPI remained close to the 2000 mark throughout April, there was a net outflow of KRW 1.5tn as investors increased redemption to realize profits.

- The value of investment assets decreased when the KOSPI fell at the end of the month, and consequently, the NAV of domestic funds recorded KRW 59.2tn, a KRW 2.2tn decrease from the previous month.

- **(Overseas Equity Funds)** Regardless of the movement of overseas indexes including the Dow Jones Industrial Average, overseas equity funds still showed an ongoing trend of net redemption, recording a NAV decrease of KRW 0.5tn to KRW 15.4tn from the previous month.

B. **(Bond Funds)** The NAV of bond funds overall rose by KRW 2tn to KRW 57.6tn, with the NAV of domestic bond funds and overseas bond funds increasing by KRW 1.7tn and KRW 0.3tn, respectively, from the previous month.

- **(Domestic Bond Funds)** As stock prices did not go up significantly, investors showed a preference for stable assets, which drove up the NAV of domestic bond funds by KRW 1.7tn MoM to reach KRW 51tn.

- **(Overseas Bond Funds)** The NAV of overseas bond funds increased by KRW 253bn to record KRW 6.6tn from the month earlier, backed by a net inflow worth of KRW 300bn.

C. **(Funds of Funds)** The NAV of funds of funds slightly rose to reach KRW 10.4tn, a KRW 62bn increase from the previous month.

D. **(MMFs)** Driven by the net redemption of corporate MMFs throughout April 2014, the total NAV of MMFs dropped by KRW 3.3tn to record KRW 71.6tn.

E. **(Derivatives Funds)** The NAV of derivatives funds decreased by KRW 0.9tn MoM to reach KRW 33.2tn, due to a net outflow of capital.

F. **(Real Estate Funds)** The NAV of real estate funds increased by KRW 1tn from the previous month to reach KRW 26tn amid a net inflow of capital.

G. **(Special Assets Funds)** The NAV of special assets funds increased slightly by KRW 239bn MoM to reach KRW 26.8tn.

[NAV Changes and Fund Flow by Fund Type]

(Unit: KRW bn)

Fund Type	NAV (End of Mar '14)	Fund Flow			Valuation Change	NAV Change	NAV (End of Apr '14)
		Inflow	Outflow	Change			
Securities (A)	177,075	7,746	7,950	△204	△782	△986	176,089
- Equity	77,335	2,071	3,734	△1,664	△1,056	△2,720	74,615
- Hybrid-Equity	10,450	427	557	△130	△19	△149	10,301
- Hybrid-Bond	23,298	1,355	1484	△129	△35	△164	23,134
- Bond	55,608	3,893	2,175	+1,718	+267	+1,985	57,593
-Fund of Fund	10,384	508	468	+40	+22	+62	10,446
MMFs (B)	74,917	36,289	39,764	△3,475	+155	△3,320	71,597
Derivatives (C)	34,070	1,667	1,875	△208	△710	△918	33,152
Real Estate (D)	25,048	1201	381	+820	+134	+954	26,002
Special Assets (E)	26,548	605	289	+317	△78	+239	26,787
Total (A+B+C+D+E)	337,658	48,016	50,728	△2,712	△1,319	△4,031	333,627

Note: Valuation Change = NAV Change – Fund Flow Change
Securities = Equity + Hybrid Equity + Hybrid Bond + Bond + Fund of Fund
NAV includes ETFs, while fund flow data exclude ETFs.

3. **[Features] Changing Landscape of the Fund Market in the Aftermath of the Financial Crisis**

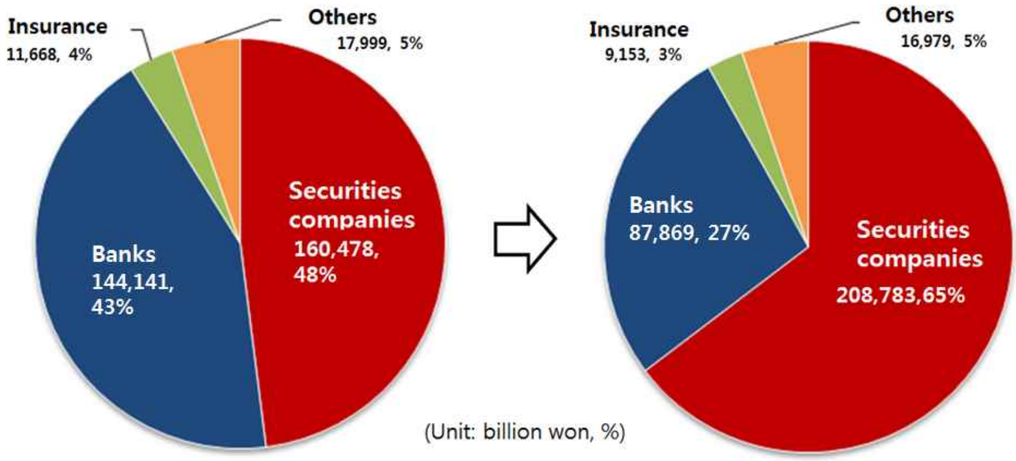
The fund market is undergoing major changes amid contracted fund investment, as the global financial crisis which broke out at the end of 2007 depressed the asset management industry. The recession of the asset management industry directly impacted banks, which have demonstrated much higher growth compared to securities companies since 2004 with a focus on equity fund sales and individual investors. As for securities companies, the sudden shift in the amount of fund sales had less impact as they have managed a variety of funds, providing service mainly to institutional investors.

A. **(Market Size)** As of the end of March 2014, 92% of the amount of fund sales (KRW 296.5tn) was attributable to 40 securities companies and 18 banks, which took up 65% and 27%, respectively.

- Although the amount of funds sold via insurance companies (10 companies) and other channels* is gradually increasing, it is still meager compared to the amount sold through securities companies and banks.

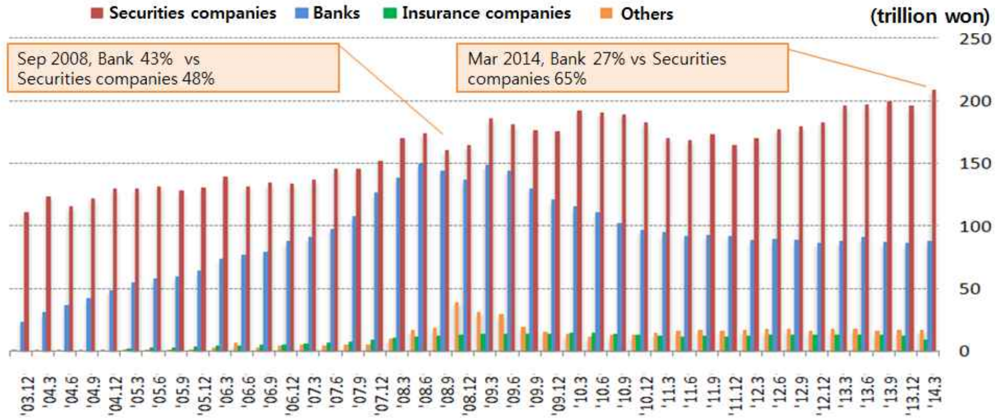
* Other channels: asset management companies (11), futures companies (1), merchant banks (1)

<Changes in the Proportion of Fund Sales Channels (Sep 2008 vs. Mar 2014) >



B. **(10-Year Trend)** The structure of the fund market, which used to center on securities companies until mid-2004, changed to one divided among securities companies and banks at the end of 2008, as banks aggressively sold funds on the back of bullish stock markets at home and abroad, and increased popularity of installment funds.

<Trend of Fund Sales Volume by Sales Channels (Mar 2012 ~ Mar 2014) >



- **(Banks)** During the period of rapid growth of banks (2004~2008), equity funds took up the lion's share of the funds sold. Most were sold to individual investors and the proportion of banks as a sales channel rose up to 43% as of the end of September 2008.

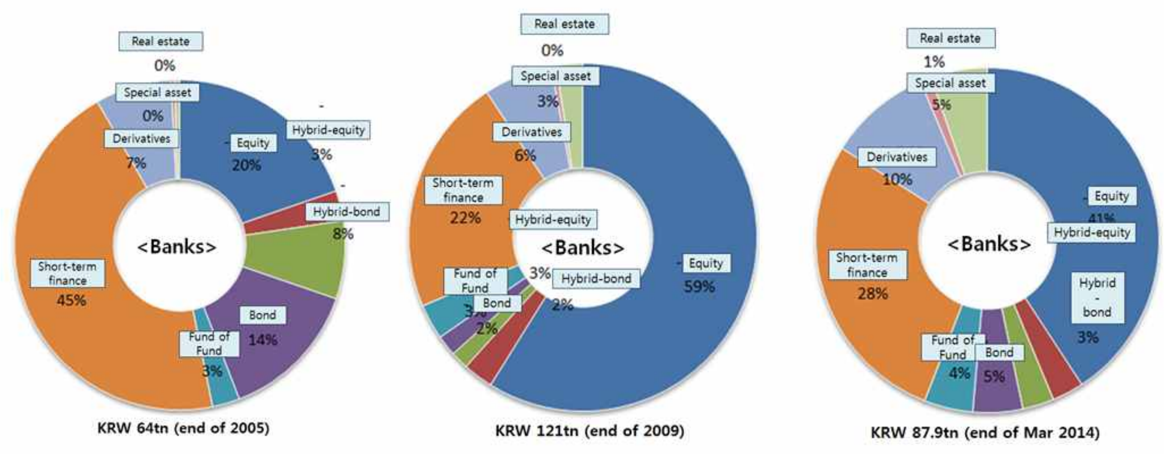
<Sales Volume of Equity Funds and Individual Investment of Banks>

	End of 2005	End of 2009	End of March 2014
Volume of equity funds among funds sold via banks (%)	KRW 12.6 tn (20%)	KRW 71.3tn (59%)	KRW 35.8tn (41%)
Volume of individual investment among banks' equity funds (%)	KRW 11.8tn (94%)	KRW 69.2tn (97%)	KRW 34.3tn (95%)

The proportion of banks among sales channels fell to 27% as of the end of March 2014, as the sales of equity funds, which have been a major source for banks, contracted due to falling value of investment assets and the trend of investors'redemption in the wake of the 2008 global financial crisis

However, fluctuations found in the fund sales of banks are stabilizing as the market started moving in a narrow sideways trend ranging between 1800p~2000 p since 2011.

<Proportion of Sales in Banks by Fund Type>



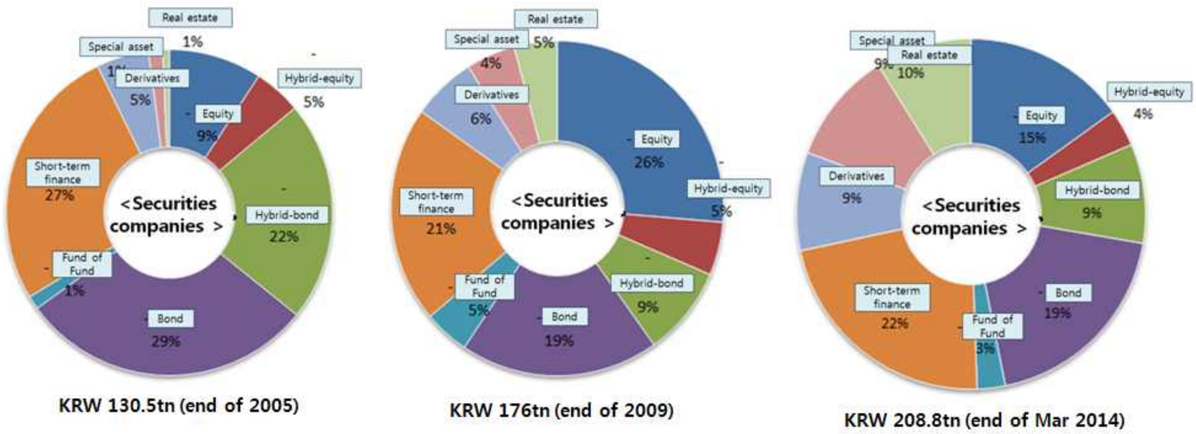
- **(Securities companies)** Although securities companies were also subject to fluctuations in fund sales in the wake of the financial crisis which started in 2007, they were able to avoid sudden deterioration of funds sale balance due to the strategy of selling a diversity of funds* including bond funds and alternative investment funds, instead of concentrating on certain types of funds.

  * Share of funds sold by securities companies by fund type (end of 2013): equity type 16%, bond type 19%, special assets 9%, real estate 11%

  In addition, the fact that private equity funds were mostly sold with the share of institutional investors* being bigger than that of individual investors, also contributed as a factor that prevented sudden redemption.

  * Share of institutional investors among funds sold by securities companies: 74% (end of 2005) → 68% (end of 2009)

< Proportion of Sales in Securities Companies by Fund Type>



C. **(Implications)** Changes in the financial industry can have different levels of impact on each sales channel according to its main product and target customers.

- **(Banks)** Because the target customers of banks are individual investors interested in equity funds, banks are swayed more by changes in stock prices than securities companies.

  Accordingly, the recovery of the stock market is expected to rapidly drive up the fund sales of banks, leading to an increased proportion of banks among different fund sales channels.

- **(Securities companies)** As the target customers of securities companies are institutional investors, fund sales volume is expected to gradually increase, backed by increasing investment in alternative investment funds.