

PRESS RELEASE

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KOFIA Publishes Domestic Fund Market Trend Analysis for May 2016

Net capital inflows into MMFs and bond funds continued, resulting in total fund NAV growth of KRW 14.5tn from the previous month end to reach KRW 459.1tn

1. Overview

The NAV of domestic equity funds fell by KRW 0.9tn from the previous month end due to steady outflows of domestic investor capital and a stable KOSPI which oscillated between 1,946 and 1,986pts amidst the recovery of global oil prices and low possibility of a U.S. interest rate hike. The NAV of overseas equity funds rose by KRW 0.2tn due to a sluggish global stock market.

A tendency for risk management fueled by concerns over an economic slowdown triggered net capital inflows of KRW 8.1tn into MMFs, leading to an increase of KRW 8.3tn in the NAV. Bond funds also experienced a net inflow of KRW 3.1tn due to continued preference for safer assets, and the NAV increased by KRW 3.3tn compared to the previous month end.

The total outstanding amount and NAV of all funds expanded by KRW 13.9tn (+3.1%) and KRW 14.5tn (+3.3%) to record KRW 467.1tn and KRW 459.1tn, respectively.

2. Market Trends by Fund Type

A. **(Equity Funds)** The total NAV of equity funds decreased by KRW 0.7tn ($\Delta 1.0\%$) to reach KRW 71.7tn, with the NAV of domestic equity funds falling by KRW 0.9tn and the NAV of overseas equity funds rising by KRW 0.2tn.

- **(Domestic Equity Funds)** Limited trading activity due to minimal changes in the stock price led to a net capital outflow of KRW 5bn from domestic equity funds for the month of May, and lower valuation gains aggravated the drop in the NAV to KRW 0.9tn ($\Delta 1.6\%$), with NAV recording KRW 56.7tn.
- **(Overseas Equity Funds)** The launch of the overseas equity investment funds with tax benefits led to a net capital inflow of KRW 8bn, while valuation for overseas equity funds was also adjusted upwards due to the recovery of oil prices. Accordingly, the NAV for overseas equity funds increased by KRW 0.2tn (+1.3%) to KRW 15.0tn.

B. **(Bond Funds)** The total NAV for bond funds rose by KRW 3.3tn (+3.4%) to reach KRW 100.9tn, which is a record high. Specifically, the NAV of domestic bond funds increased by KRW 3.2tn and the NAV of overseas bond funds also rose by KRW 0.1tn.

- **(Domestic Bond Funds)** The NAV of domestic bond funds added KRW 3.2tn (+3.6%)

to record KRW 91.7tn, with a net capital inflow of KRW 2.9tn.

- **(Overseas Bond Funds)** The NAV of overseas bond funds increased by KRW 0.1tn (+1.2%) to KRW 9.2tn, with a net capital inflow of KRW 0.2tn.
- C. **(Fund of Funds)** The NAV of fund of funds increased by KRW 214bn (+1.7%) compared to the previous month end to reach KRW 13.0tn, with a net capital inflow of KRW 18bn.
- D. **(MMFs)** The NAV of MMFs increased by KRW 8.3tn (+7.6%) to record KRW 116.7tn, with a net capital inflow of KRW 8.1tn following a bearish world-wide stock market, concerns over an economic slowdown and a stronger preference for safer assets.
- E. **(Derivatives Funds)** The NAV of derivatives funds recorded KRW 33.3tn, a KRW 1.4tn rise (+4.3%) from the previous month end with net capital inflows of KRW 0.1tn.
- F. **(Real Estate Funds)** The NAV of real estate funds increased by KRW 0.6tn (+1.5%) from the previous month end to reach KRW 39.6tn with a net capital inflow of KRW 0.4tn.
- G. **(Special Assets Funds)** The NAV of special assets funds increased by KRW 1.0tn (+2.3%) from the previous month end to reach KRW 42.1tn with a net capital inflow of KRW 0.7tn.

[NAV Changes and Capital Flow by Fund Type]

(Unit: KRW bn)

Fund Type	NAV (End of Feb'16)	Capital Flow			Valuation Change	NAV Change	NAV (End of Mar '16)
		Inflow	Outflow	Change			
Securities (A)	221,407	9,265	6,233	+3,032	Δ254	+2,778	224,185
- Equity	72,461	1,340	1,337	+3	Δ716	Δ713	71,748
- Hybrid-Equity	7,995	314	224	+90	+38	+128	8,123
- Hybrid-Bond	30,561	1,205	1,352	Δ147	+7	Δ140	30,421
- Bond	97,587	6,406	3,320	+3,086	+203	+3,289	100,876
- Fund of Funds	12,803	373	355	+18	+196	+214	13,017
MMFs (B)	108,403	58,358	50,229	+8,129	+135	+8,264	116,667
Derivatives (C)	31,878	2,529	1,165	+1,364	+17	+1,381	33,259
Real Estate (D)	39,001	714	269	+445	+131	+576	39,577
Special Assets (E)	41,160	864	136	+728	+239	+967	42,127
Hybrid Assets (F)	2,788	621	108	+513	Δ1	+512	3,300
Total (A+B+C+D+E+F)	444,636	72,724	58,496	+14,228	+252	+14,480	459,116

Note: Valuation Change = NAV Change – Capital Flow Change

Securities = Equity + Hybrid Equity + Hybrid Bond + Bond + Fund of Funds

NAV data include ETFs, while capital flow data exclude ETFs.

Hybrid assets were added on Oct.26, 2015 with the revision of the Act on Private Funds (used to be divided into either securities or derivatives)