**PRESS RELEASE**

**April 10, 2017**

**KOFIA Publishes Domestic Fund Market Trend Analysis for March 2017**

**Large net capital outflow from MMFs led to a KRW 1.8tn fall in NAV from the previous month end to reach KRW 483.8tn**

1. **Overview**

The NAV of equity funds showed net capital outflows of KRW 1.4tn from the previous month end, while MMFs also experienced net capital outflows of KRW 5.4tn, owing to bearish investor sentiment spurred by investors’ belief that rising uncertainties due to debt restructuring issues of Daewoo Shipbuilding and Marine and retaliatory trade actions taken by China will put a downward pressure on the Korean economy as well as its stock market.

While KOSPI jumped to reach 2,178.38pt on the 21st of March, thanks to the net-buying of foreign investors expecting rising blue chip share prices as well as forex arbitrage due to a strong won, the recent plateauing of net-buying of foreign investors have put a slightly downward pressure on the KOSPI to close at 2,160.23pt (Mar 31).

The total outstanding amount and NAV of all funds fell by KRW 3.3tn (△0.7%) and by KRW1.8tn (△0.4%) to record KRW 486.3tn and KRW 483.8tn, respectively.

1. **Market Trends by Fund Type**
2. **(Equity Funds)** The total NAV of equity funds fell by KRW 1.1tn (△1.6%) to KRW 65.9tn, with the NAV of domestic equity funds and overseas equity funds falling by KRW 1.1tn and rising by KRW 0.04tn, respectively.

* **(Domestic Equity Funds)** The favorable valuation of domestic stocks allowed for arbitrage, which in turn led to a net capital outflow of KRW 1.2tn in the month of March, with NAV dropping by KRW 1.1tn (△2.2%), to record KRW 50.1tn.
* **(Overseas Equity Funds)** Uncertainty triggered by the initiation of the Brexit negotiations and concerns over the U.S. economic policies as Trumpcare bill got pulled spurred a net capital outflow of KRW 0.2tn, while the NAV for overseas equity funds was adjusted upwards by KRW 0.04tn (+0.3%) to KRW 15.8tn, thanks to the favorable valuation of stock markets of major emerging economies.

1. **(Bond Funds)** The total NAV for bond funds fell by KRW 0.7tn (△0.7%) to KRW 103.4tn. Specifically, the NAV of domestic bond funds decreased by KRW 0.7tn and the NAV of overseas bond funds by KRW 0.04tn.

* **(Domestic Bond Funds)** The NAV of domestic bond funds fell by KRW 0.7tn (△0.7%) to record KRW 91.9tn, with a net capital outflow of KRW 0.9tn in the month of March, resulting from bearish bond markets at home and abroad brought on by the Fed’s interest rate hike.

* **(Overseas Bond Funds)** The NAV of overseas bond funds fell by KRW 0.04tn (△0.4%) to reach KRW 11.6tn, with a net capital outflow of KRW 0.04tn.

1. **(Fund of Funds)** The NAV of fund of funds inched up by KRW 1.2tn (+7.3%) compared to the previous month end to reach KRW 17.1tn, with a net capital inflow of KRW 1.1tn.
2. **(MMFs)** The NAV of MMFs decreased by KRW 5.2tn (△4.2%) compared to the previous month end to record KRW 119.0tn, with a net capital outflow of KRW 5.4tn.
3. **(Derivatives Funds)** The NAV of derivatives funds recorded KRW 37.3tn, up by KRW 0.1tn (+0.4%) from the previous month end, with net capital outflows of KRW 0.4tn.
4. **(Real Estate Funds)** The NAV of real estate funds set a new record, climbing by KRW 1.5tn (+3.1%) from the previous month end to reach a record-high KRW 50.9tn, with a net capital inflow of KRW 1.5tn.

\* Record amount for real estate funds: (‘17.2.28) KRW 49.4tn → (’17.3.31) KRW 50.9tn

1. **(Special Assets Funds)** The NAV of special assets funds increased by KRW 2.4tn (+4.8%) from the previous month end to reach KRW 52.1tn, setting a new record, thanks to a net capital inflow of KRW 2.4tn.

\* Record amount for special assets funds: (’17.2.28) KRW 49.6tn → (’17.3.30) KRW 52.1tn

**[NAV Changes and Capital Flow by Fund Type]**

(Unit: KRW bn)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Fund Type** | **NAV**  **(End of Feb’17)** | **Capital Flow** | | | **Valuation**  **Change** | **NAV**  **Change** | **NAV**  **(End of Mar’17)** |
| **Inflow** | **Outflow** | **Change** |
| Securities (A) | 219,614 | 7,894 | 10,886 | △2,992 | +1,896 | △1,096 | 218,518 |
| - Equity | 66,975 | 1,377 | 2,781 | △1,404 | +320 | △1,084 | 65,891 |
| - Hybrid-Equity | 7,748 | 297 | 303 | △6 | +99 | +93 | 7,841 |
| - Hybrid-Bond | 24,780 | 483 | 1,157 | △674 | +110 | △564 | 24,216 |
| - Bond | 104,138 | 5,737 | 6,645 | △908 | +198 | △710 | 103,428 |
| - Fund of Funds | 15,973 | 1,874 | 818 | +1,056 | +113 | +1,169 | 17,142 |
| MMFs (B) | 124,229 | 55,339 | 60,728 | △5,389 | +140 | △5,249 | 118,980 |
| Derivatives (C) | 37,119 | 3,046 | 3,424 | △378 | +521 | +143 | 37,262 |
| Real Estate (D) | 49,382 | 1,651 | 200 | +1,451 | +65 | +1,516 | 50,898 |
| Special Assets (E) | 49,684 | 2,801 | 391 | +2,410 | △34 | +2,376 | 52,060 |
| Hybrid Assets (F) | 5,612 | 652 | 182 | +469 | +37 | +506 | 6,118 |
| Total  (A+B+C+D+E+F) | 485,639 | 73,257 | 76,631 | △3,373 | +1,569 | △1,804 | 483,835 |

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)