

KOSDAQ Venture Funds – Growth Ladder for Innovative Companies and Households – Newly Launched on April 5th

Exceptional Benefits Include Income Deduction and Preferential Allotment of 30% of Publicly Offered KOSDAQ Shares

1. Product Launch and Start of Sales

The Korea Financial Investment Association (hereinafter referred to as “KOFIA”; Chairman Kwon, Yong Won) announced that 54 asset management companies will consecutively launch 64 KOSDAQ venture funds starting from April 5th.

The net asset value of funds has grown to KRW 530tn (USD 498bn) as of end-March, which highlights the fact that funds have become a popular instrument for Koreans to build up their wealth.

KOSDAQ venture funds are meaningful as they enable general investors to have access to innovative companies and share the fruits of their growth.

Various types of funds, such as publicly offered funds, privately placed funds, closed-ended funds, open-ended funds, equity (hybrid equity funds) funds, hybrid bond funds, hybrid asset funds, etc., will be introduced one after another.

【Fund Launch Plan (as of April 3rd)】

▶ (Date of Launch) 27 funds on April 5 th , 37 funds from April 6 th								
▶ (Public/Private) 10 publicly offered funds, 54 privately placed funds								
Type of Fund (Unit: No. of funds)	Publicly Offered Funds		Privately Placed Funds					Total
	Equity	Hybrid Equity	Equity	Hybrid Equity	Hybrid Bond	Hybrid Asset	To be determined	
Open-ended/ additional set-up allowed	1	6	2	14		7	1	31
Closed-ended/ additional set-up allowed				1		1		2
Open-ended/ additional set-up not allowed	1	1		4		2		8
Closed-			1	10	3	6		20

ended/ additional set-up not allowed								
To be determined		1					2	3
Total	2	8	3	29	3	16	3	64

2. Product Overview

► Fund Management

At least 50% of the fund assets are invested in venture companies or shares, etc.* of SMEs that are listed on the KOSDAQ within seven years from the cancellation of their SME designation.

* Including newly issued uncollateralized convertible bonds and bonds with warrants

Of the 50% or more fund assets, at least 15% is invested in newly issued shares, etc. of venture companies.

【Fund Management Requirements】

<p style="text-align: center; color: red;">Tax Benefit Requirements</p> <p style="text-align: center;">At least 50% of the fund assets</p>	<p>► At least 15% of the fund assets is invested in new shares, etc. of venture companies</p>
<p style="text-align: center;">Other assets</p>	<p>► Existing shares of venture companies</p> <p>► Shares, etc. of SMEs that are listed on the KOSDAQ within seven years from the cancellation of their SME designation</p>
	<p>► No management restrictions</p>

► Tax and Financial Benefits

- ① Tax benefits: Of the total investment amount (the sum of an investor's total investments in KOSDAQ venture funds), 10% income deduction benefits (KRW 3mn (USD 2,820) ceiling) are provided for investments up to KRW 300mn (USD 28,200) for each investor who resides in Korea.
- ② Financial benefits: Investors can enjoy preferential allotment of 30% of the publicly offered shares newly issued on the KOSDAQ market.

【Product Overview】

		Investor	
		Applying for Income Deduction	Not Applying for Income Deduction
Subscription Period		Implementation date ~ Dec. 31, 2020	Implementation Date ~
Subscription Qualification		Korean resident	No restrictions
Payment Ceiling		No ceiling applied	
Benefits	Income Deduction	○	X
	Preferential Allotment of Publicly Offered Shares	○	
Income Deduction	Investment Amount Subject to Income Deduction	Funds purchased by Dec.31, 2020	-
	Application Period	Choose among the first fiscal year an investor purchased the fund, or the next year, or the second anniversary year of the investment date	
	Mandatory Holding Period	3 years (based on each purchase of a beneficiary certificate by fund)	-
Early Redemption (Not allowed for closed-ended funds)		Possible. However, if an investor that received income deduction for a beneficiary certificate redeems the certificate within three years after purchase, he/she will have to pay the deducted tax amount.	Possible

▶ Product Characteristics

- ① Anyone who is a Korean citizen can subscribe to KOSDAQ venture funds, as there are no strings attached to subscription such as income requirements.
- ② Investment in venture companies with strong growth potentials is possible even

with small sums of money.

- Even with just a small amount, investors can make investments in venture companies that can be expected to produce high returns when investment succeeds. Potential losses are to be offset by tax benefits and preferential allotment of publicly offered shares newly issued on the KOSDAQ market.
- ③ A wide variety of products is expected thanks to larger autonomy awarded to the portfolio-included assets and management strategies.
 - Creative and innovative products are to be introduced, as the funds' invested assets become diverse and hedge funds newly enter the scene.
- ④ Only financial instrument that provides income deduction benefits and allows subscription without having to meet certain requirements.
 - For some investors, tax deduction would be more favorable than income deduction.
- ⑤ Preferential allotment of 30% of the publicly offered shares newly issued on the KOSDAQ market.
 - Largest preferential allotment benefits provided for the publicly offered shares on the KOSDAQ market, even compared to the employee stock ownership association, etc.
- ⑥ Investors can choose between lump sum payment and installment payment regardless of their payment amount.

3. Expected Effects

KOSDAQ venture funds are expected to greatly benefit the Korean economy by directly supplying capital without maturity that is most suitable for driving the growth of SMEs, venture companies and innovative companies.

KOSDAQ venture funds will allow Korean citizens to make “meaningful investments” by participating in the supply of venture capital that fosters SMEs, venture companies and innovative companies, sharing the fruits of their growth.