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Press Release

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Fund Assets Under Management: October, 2007

Assets under management (AUM) of funds that invest at home and overseas totaled KRW330.8 trillion as of end-October, up sharply from KRW243 trillion at end-2006 and KRW218.2 trillion at end-2005. With surging stock markets at home and abroad, stock funds saw a KRW85.6 trillion increase in AUM since the beginning of the year.

For funds that invest in overseas assets, AUM as of end-October came to KRW97.3 trillion, compared with KRW32.2 trillion at end-2006. The AUM of funds created in Korea accounted for KRW85 trillion of the total, compared with KRW19.3 trillion at end-2006. For offshore funds—those created outside Korea and sold to investors in Korea—the total was KRW12.3 trillion, down modestly from KRW13.5 trillion at end-May this year.

Recent trends in fund investment

1. The average investment-holding period in a fund jumped from 12.9 months in 2005 to 18.4 months as of end-September this year. The proportion of investor accounts with investment-holding period longer than 18 months came to 49.1% as of end-September and is likely to increase as more investors open installment plan accounts for stock investment. As of end-September, the number of stock installment plan accounts totaled 10.34 million with KRW34.5 trillion in AUM, compared with 6.43 million accounts with KRW21.9 trillion at end-2006 and 4.65 million accounts with KRW9.6 trillion at end-2005.

2. The National Pension Service and many employer-sponsored retirement plans are increasingly turning to asset management companies for investment management, a development that bodes well for the future growth of the local asset management service industry. The NPS had KRW32.5 trillion under asset management companies as of end-September, up from KRW19.7 trillion at end-2006. For retirement plans, the figure jumped from KRW72.9 billion to KRW237.3 billion during the first nine months of 2007.

3. Fund investment in China continued to pick up the pace in 2007 despite signs of overheated rush in Chinese markets. As of end-October, fund investment in Chinese assets made up 48.8% (KRW33.6 trillion) of investments outside Korea, compared with 38.2% (KRW20.8 trillion) in September, 33.2% (KRW15.8 trillion) in August, 29% (KRW13.5 trillion) in July, and 24% (KRW9.7 trillion)

in June. The rapid pace of outsized investment flows to Chinese assets indicate a growing need to ensure that investors are appropriately informed of risks associated with over-exposure in any particular overseas market and not holding well-diversified investment portfolios.

4. A significant portion of assets held overseas is managed by non-domestic asset managers outside Korea (85.4% as of end-October), which take in between 50% and 80% of asset management fees. This points to the need to take steps to attract experienced foreign asset managers and professionals to Korea in order to boost the ability of domestic asset management companies to manage overseas investment assets from home.

5. Currency hedging by funds that invest in overseas assets is fairly high. As of end-September, the amount covered by currency hedging came to US$67.67 billion, or 81.4% of US$83.16 billion in overseas fund investments; the coverage was 84% for domestic funds and 58% for offshore funds.

6. The asset management service industry can benefit from a deeper pool of experienced investment and portfolio management professionals. Despite the growing size of fund AUM, the number of asset and risk managers has only modestly increased from 1,143 to 1,224 since the beginning of the year. As fund AUM increase and asset managers take charge of more funds, the likelihood of some of the smaller funds not being optimally managed increases.

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