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## Press Release

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December 6, 2012

### FIRST ANNUAL STATUS REPORT ON THE HEDGE FUND INDUSTRY

#### RECENT TREND

The total asset size of Korea's hedge fund market has grown to KRW 1 trillion with 12 active management companies with 19 registered funds in a year since it started from KRW 149 billion with 9 fund management companies with 12 funds.

(unit: KRW 1 billion)

|  | Dec 2011        | Mar 2012        | Jun 2012        | Sept 2012       | Nov 2012         |
|--|-----------------|-----------------|-----------------|-----------------|------------------|
| total assets<br>(percentage*)              | 2,370<br>(0.2%) | 5,509<br>(0.5%) | 6,546<br>(0.6%) | 7,858<br>(0.7%) | 10,175<br>(0.8%) |
| no. of funds<br>(no. of mgmt<br>companies) | 12<br>(9)       | 17<br>(11)      | 19<br>(11)      | 20<br>(12)      | 19<br>(12)       |

\* Percentage of asset size of hedge funds out of the total private equity industry

Hedge funds' management strategy and investors have been diversified for the last year. Most of hedge funds still rely on long-short strategies; however, the industry plans to sell funds using a variety of strategies such as arbitrage trading and event-driven strategies.

Investors' pool is widening from prime brokers and affiliated companies with brokerage firms in the early stage to institutional investors and affluent retail investors.

#### EVALUATION

The hedge fund industry made a soft landing in Korea's capital markets, dismissing initial concerns that the introduction of hedge funds might increase market risks. Hedge fund managers are building their reputation in the market with differentiated performance. As track records of funds with good performance build up, the size of assets under management for such funds is expected to increase.

With improved market perceptions about hedge funds, investors' pool is expected to be expanded to corporations and pension funds.



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### **POLICY DIRECTION AHEAD**

In order to attract capable managers, requirements for approving hedge fund management were relaxed as announced in July 2012. With the eased requirements, the approval process will be completed for asset managers that submit application in December by the end of this year.

It is expected a total of 23 firms including 12 asset management companies, 5 brokerage firms and 6 advisory firms will submit application for hedge fund management by 2013.

The FSC will make continuous effort to promote the growth of hedge fund industry and prime brokerage service, establish infrastructure and reform regulations to further develop the hedge fund market.

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