

ISSA Regional Meeting Seoul

## How can the Region attract more Foreign Investment

### 1. Local Regulatory Environment

- Deregulation to match with global standard
- From the positive system to the negative system
- English services / Up to date financial regulations

### 2. Business Stability

- Foreseeable business development
- Positive business environment

### 3. Human Resources

- Flexibility of labor market
- Qualified resources / Language barrier

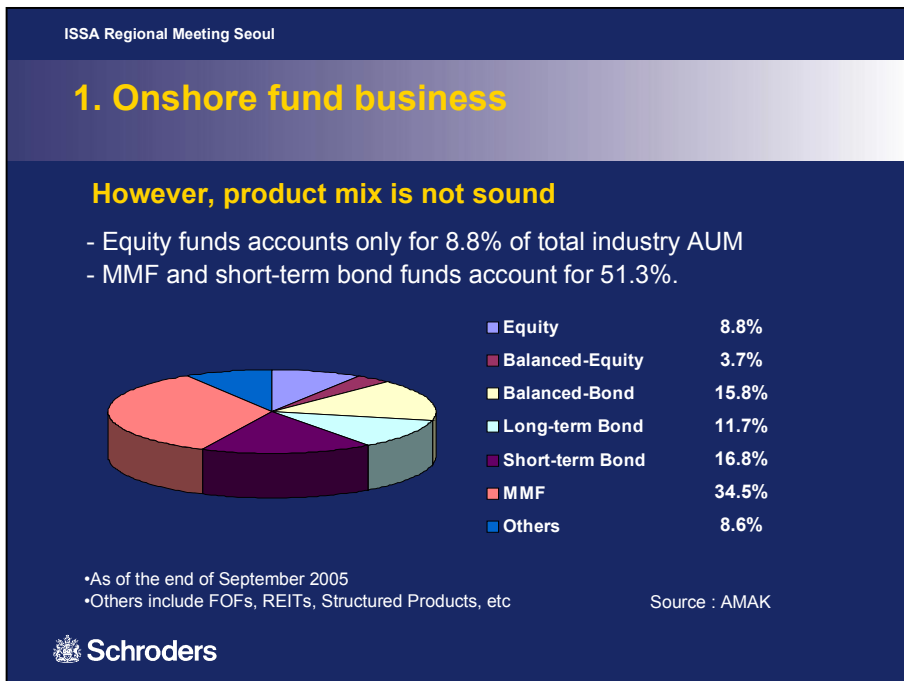
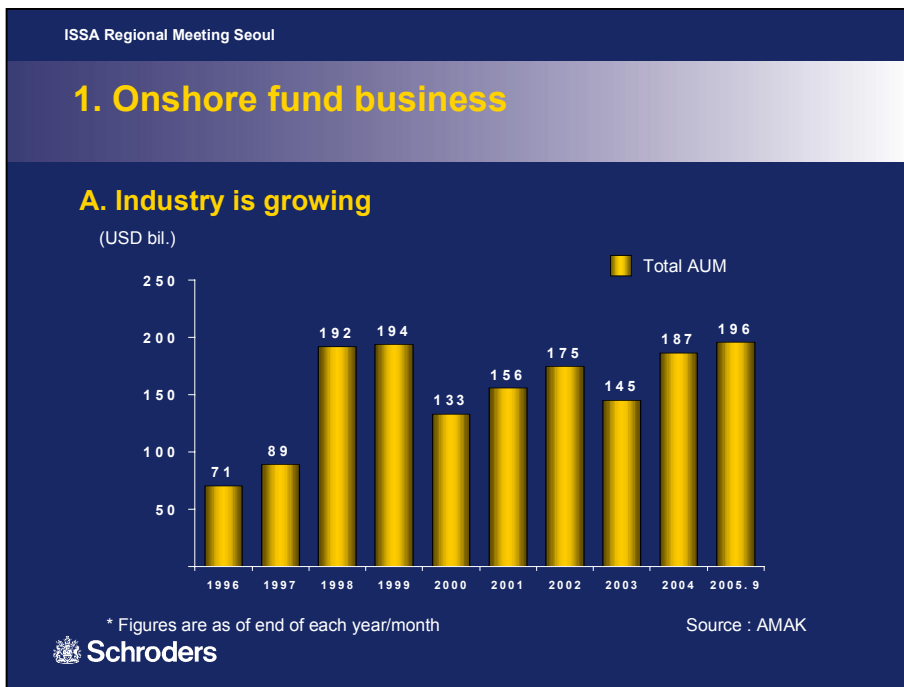
 **Schroders**

7 October 2005

## Business Environment of Asset Management Industry in Korea

**KS Jeon**  
CEO / Schroders Korea

 **Schroders**



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## 1. Onshore fund business

**B. There must be growth potential (macro), but quality will be real challenge to the industry (micro).**

**a. Positive Prospects**

- Fast growing demand for investment products
  - Low interest environment, Aging society, RSP and Corporate pension (DC)
  - AUM of the industry / Total national savings : 11.4% (June 2005)  
(USD 194.3bil.) (USD 1,701.7 bil.)
- Government measures to boost the industry
  - Plan for financial-hub in North Asia, Deregulation and Korea Investment Corporation (KIC)



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## 1. Onshore fund business

**b. Challenges**

- Short-term investment time horizon
  - Average investment time horizon is around 6 months and maximum 1 year
- Margin is squeezing
 

Average margin by fund type

Equity Fund	Balanced Fund	Bond Fund	MMF
60bp	30bp	5-10bp	5-10bp
- Distributor driven market
  - Greedy and almighty (unfair fee sharing)
  - Channel linkage between affiliated firms (who's who)
  - Churning



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## 2. Offshore fund business

**A. Market is small but growing**

- USD 5.0 bil. (1.4% of industry FUM)
- Continued growth is expected due to the increasing need for portfolio diversification

Company	Market Share (%)
Fidelity	24%
Schrodgers	21%
Merrill Lynch	15%
Prudential	22%
Templeton	12%
Others	6%

**Schrodgers** \* As of the end of Aug.2005

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## 2. Offshore fund business

**B. Short-term investment time horizon**

- linked to 1 year forward contracts and anniversary effect

**C. Distributors are getting tougher**

- request more rebates and churning

**D. Competition is getting severe**

- New names in a queue

**Schrodgers**