



ASSET OWNER  
INSIGHTS

Korea Institutional Report

# CONTENTS

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## 01 Korea Institutional Market Overview

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A detailed overview of the Korean institutional landscape including details of market size and depth, important industry trends, region specific preferences and idiosyncrasies, typical processes for awarding investment mandates and our assessment of business opportunities for global fund managers.

## 02 Korea Regulatory Overview for Global Fund Managers

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A guide to understand Korea's regulatory regime and the legal requirements for raising funds in Korea. This section includes information on licensing, regulations regarding contact with investors and details of minimum onshore requirements.

## 03 Directory of Korean Asset Owners

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A comprehensive directory of asset owners including detailed asset class breakdowns, lists of external managers currently used and details of key personnel.

The full report contains details of the following institutions:

- Allianz Life Insurance Korea
- Bank of Korea
- Construction Workers Mutual Aid Association
- Dongbu Fire & Marine Insurance
- Export-Import Bank of Korea
- Government Employees Pension Service
- Hanwha General Insurance
- Hanwha Life Insurance
- Heungkuk Life Insurance
- Hyundai Fire & Marine Insurance
- ING Life Insurance Korea
- KB Insurance
- KB Life Insurance
- KDB Life Insurance
- Korea Deposit Insurance Corp
- Korea Fire Officials Credit Union
- Korea Investment Corporation
- Korea Post Savings Fund
- Korea Scientists and Engineers Mutual-aid Association
- Korea Securities Finance Corporation
- Korea Teachers Credit Union
- Korean Federation of Community Credit Cooperatives
- Korean Re
- Kyobo Life Insurance
- Meritz Fire & Marine Insurance
- Metlife Insurance Korea
- Military Mutual Aid Association
- Mirae Asset Life Insurance
- National Pension Service
- Nonghyup Life Insurance
- Nonghyup Property & Casualty Insurance
- Police Mutual Aid Association
- Prudential Life Insurance Korea
- Public Officials Benefit Association
- Samsung Fire and Marine Insurance
- Samsung Life Insurance
- Seoul Guarantee Insurance
- Shinhan Life Insurance
- Teachers Pension of Korea
- Tong Yang Life Insurance



# KOREA TEACHERS CREDIT UNION

## FUND TYPE

Credit Union

## TOTAL ASSETS (WON BN)

**27,826**  
(6/30/2016)

## Background

Korean Teachers' Credit Union (KTCU) is a credit union for teachers and educational personnel in Korea. Established in 1971, KTCU currently has about 740,000 members. KTCU is a welfare agency created by the Korean government for educational personnel to support their financial well-being while they are working as well in their retirement. KTCU has a major investment operation as well as numerous subsidiaries in the hotels, golf course, insurance, savings bank, and silver town services. The organization consists of 1 chairman, 1 standing auditor, and 3 directors. The headquarters consist of 2 offices, 10 departments, and 33 teams.

KTCU has generated one of the highest returns among Korean government agencies. Its investments in overseas alternative assets over the past five years that has enabled it to post positive returns. These investments in hedge funds, real estate, infrastructure, and private equity funds generated positive returns which balanced its poor returns in domestic and overseas equity markets.<sup>1</sup>

## Strategy

KTCU has been investing in overseas real estate for more than a decade. Within that sector, it has a preference for blind funds that provide property loans and generate steady cash flows, for example. Last year it made an allocation to a Blackstone property loan fund. It also established a real estate JV along with TIAA for US investments.<sup>2</sup> Overseas real estate assets comprise largest share of its alternative assets with around Wn3.5 trillion of investments.<sup>3</sup>

KTCU has a strategy to invest in the holding companies of asset management firms. It believes that this will improve its global allocation strategies into global asset management firms. To this end, in October 2016, it invested US\$50 million in Neuberger Berman's private equity fund that will purchase stakes in asset management companies, including US-based hedge funds. Through this strategy, KTCU expects to receive a stable stream of dividends as well as expand its overseas investment network.<sup>4</sup>

Since 2014, KTCU has been investing in overseas private equity funds, with a stated preference for fund of fund structures. It is also considering investing in venture capital funds as well as private debt funds.<sup>5</sup>

## CONTACT INFORMATION

### HEAD OFFICE

50, 63-ro, Yeongdeungpo-gu, Seoul, 07345 Korea

### TELEPHONE

82 2 1577 3400

### WEBSITE

[www.ktcu.or.kr](http://www.ktcu.or.kr)

### KEY PERSONNEL

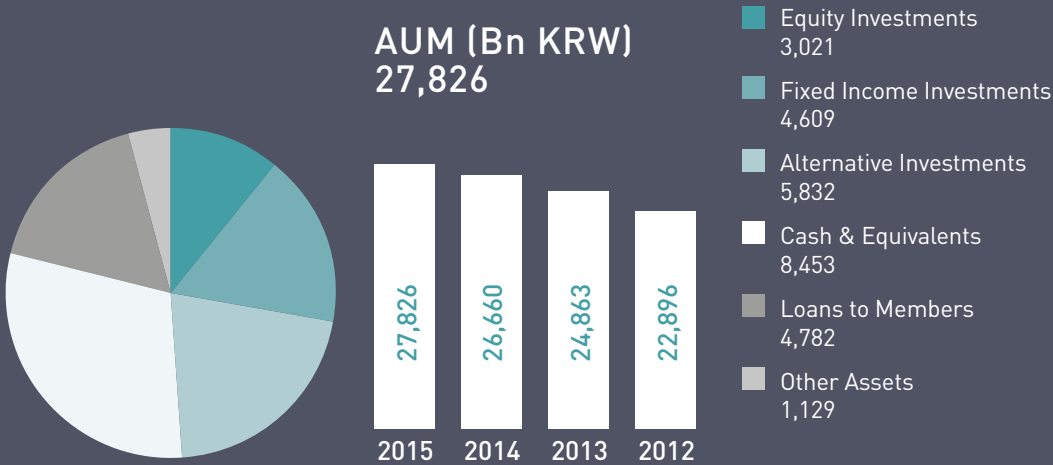
Chairman & CEO  
Chief Investment Officer  
Head of Investment Strategy  
Head of Global Fixed Income  
Head of Global Equity  
Head of Global Alternative Investment  
Head of Domestic Alternative Investment  
Head of Domestic Equity Investment  
Head of Domestic Fixed Income Investment

**Yongrin Moon**  
**Sung-Seog Kang**  
**Gun Joo Kim**  
**Jong Hoon Yoo**  
**Tae Woo Song**  
**Young Hyuk Im**  
**Young Hyuk Im**  
**Tae Woo Song**  
**Jong Hoon Yoo**

## SOURCES

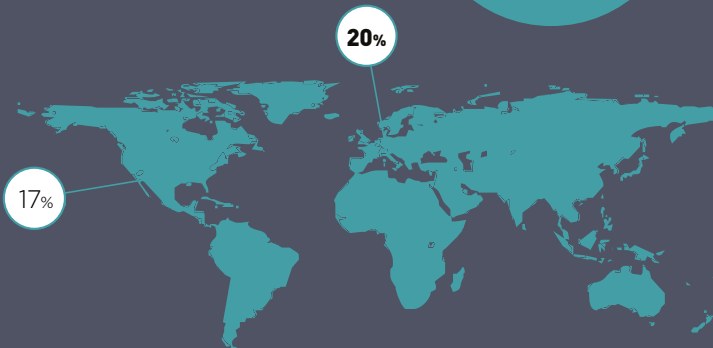
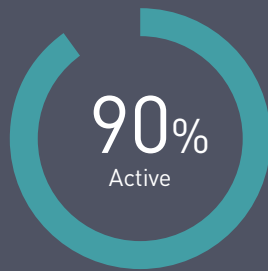
- 1 [www.ktcu.or.kr](http://www.ktcu.or.kr) (Korea Teachers Credit Union homepage)
- 2 (*Korea Herald*, 1 September 2016)
- 3 (*Hankyung Daily*, 23 August 2016)
- 4 (*Asia Asset Mgmt*, 18 October 2016)
- 5 (*Korea Economic Daily*, 31 May 2016)

# PORTFOLIO BREAKDOWN



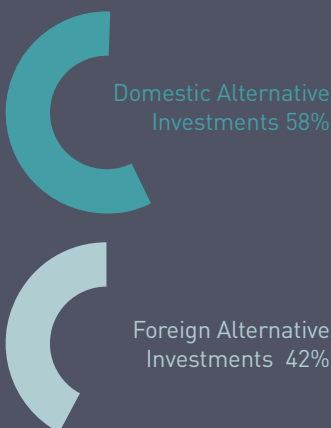
## Overseas Equities

Foreign Equities Outsourced **100%**

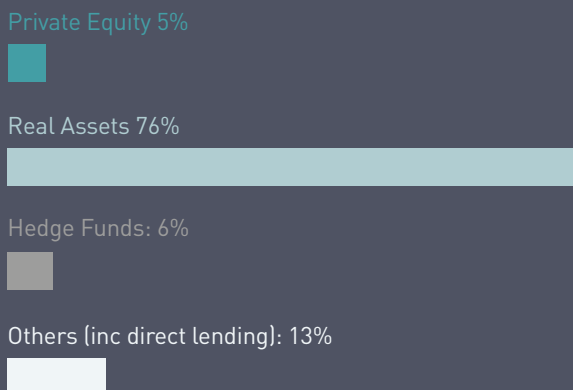


Emerging Market **28%** | Global **35%**

## Alternatives Allocation



## Overseas Alternatives Allocation

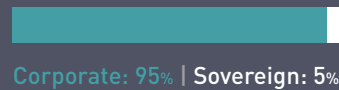


## Overseas Fixed Income

Foreign Fixed Income Outsourced **100%**



## Foreign Fixed Income by Type



## Foreign Fixed Income By Grade

Investment Grade **100%**

## List of External Asset Managers:

**Domestic Managers**  
Samsung Asset Management, Mirae Asset Global Investments, Glenwood Private Equity, FG Asset Management, Lindeman Asia Investments

**Overseas Managers**  
TIAA, Lindeman Asia Investment, Citadel, Millennium, Carlyle, Harbour Vest, Pantheon, Neuberger Berman, Blackstone, Macquarie, Pine Tree Investment & Management



# MILITARY MUTUAL AID ASSOCIATION

**FUND TYPE**  
Pension/Welfare Fund

**TOTAL ASSETS**  
**(WON BN)**  
**9,483**  
**(12/31/2015)**

## Background

Military Mutual Aid Association (MMAA) provides various pension and welfare services for military personnel in Korea. MMAA has 166,532 members -- mostly military service personnel and associated civilian employees. MMAA directly manages a private military company for military information system maintenance, online malls operation, and debit cards management issued to Korean soldiers. It also has five subsidiaries -- Korea Real Estate Investment Trust, specialising in real estate development projects, Mplus Asset Management, lease financing firm Hankook Capital, defense and civilian facility manager Kongwoo EnC and military food and clothing maker Mplus F&C.<sup>1</sup>

At the end of September 2016, MMAA had investment assets of Wn7.6 trillion, of which alternative investments represented 70% of its total investments. Of its alternative investments, private equity and non-performing loan assets comprised 44% of the total, while other financial related alternative assets represented 25%. Equities and fixed income assets each represented about 15% of total investments at the end of September 2016.<sup>1</sup>

## Strategy

MMAA's investment returns declined from 5.1% in 2014 to 1.5% in 2015, mainly due to losses from its real estate allocations. As a result, MMAA is trying to diversify investments from real estate to new investments in infrastructure and overseas markets. Real estate, which represents 44% of MMAA's portfolio is expected to be reduced to 40% in 2020.

In 2017, MMAA will start investing in overseas private equity and venture capital. MMAA has invested in several private equity funds in the form of secondary funds in 2016. MMAA plans to continue to invest mostly in secondary funds over the next three years. It is also examining investments in private debt funds and real estate bonds. To that end it has allocated Wn50 billion to global infrastructure fund run by Brookfield Asset Management. It is also looking to increase its exposure to emerging stock markets including Vietnam and India. MMAA in general has a preference for senior collateralised loans and mezzanine lending versus equity investments. It plans to increase investments in offshore bonds and M&A financing through structured bonds or specialised fund structures.

When selecting external funds, MMAA looks closely at relative volatility related indicators, rather than absolute rates of returns. MMAA gives greater points for: funds that can reduce losses through strategic asset allocation; those that can outperform in declining markets; and those that have investment capabilities for real assets, not only for stocks and bonds. In terms of overseas property investments, MMAA considers office buildings in suburban areas in the US and other developed markets to be top priority. Some of the investments in derivative linked securities and hedge funds that MMAA made in the past but did not lead to high returns. MMAA will continue to invest in hedge funds but will be based on a case-by-case basis.<sup>2</sup>

## CONTACT INFORMATION

### HEAD OFFICE

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### TELEPHONE

822 1599 9090; 822-1544-9090

### WEBSITE

[www.mmaa.or.kr](http://www.mmaa.or.kr)

### KEY PERSONNEL

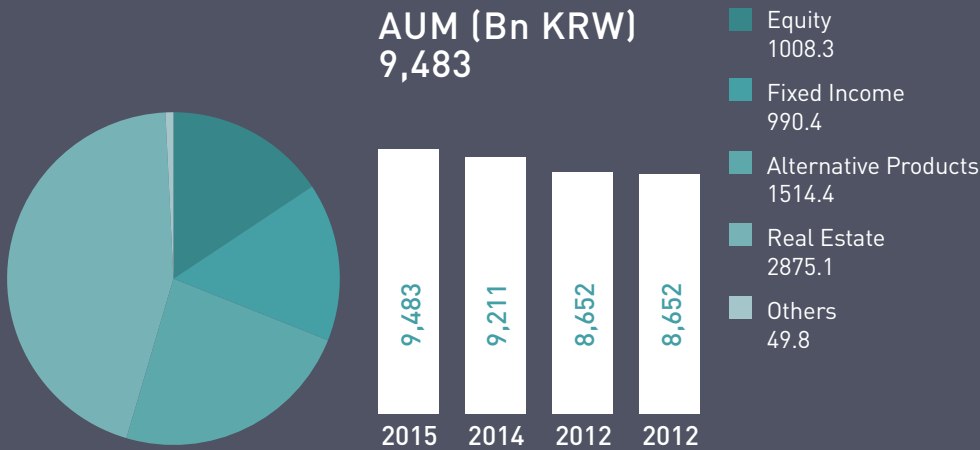
Chairman & CEO  
CIO for financial assets unit  
CIO for real estate and infrastructure  
Head of Global Alternatives  
Head of Business Development  
Assistant Manager, Outsourced Overseas Investments

**Sang Don Lee**  
**Jae Dong Kim**  
**In Soo Shin**  
**Jin Woo Kim**  
**Kwang Soo Kim**  
**Yoon Suk Oh**

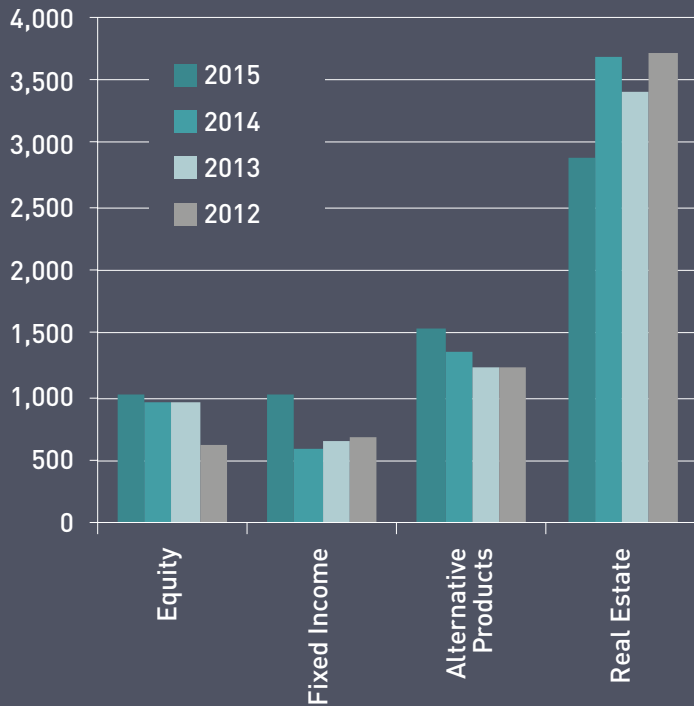
## SOURCES

- 1 [www.mmaa.or.kr](http://www.mmaa.or.kr) (Military Mutual Aid Association homepage)
- 2 (Korea Economic Daily, 13 June 2016)

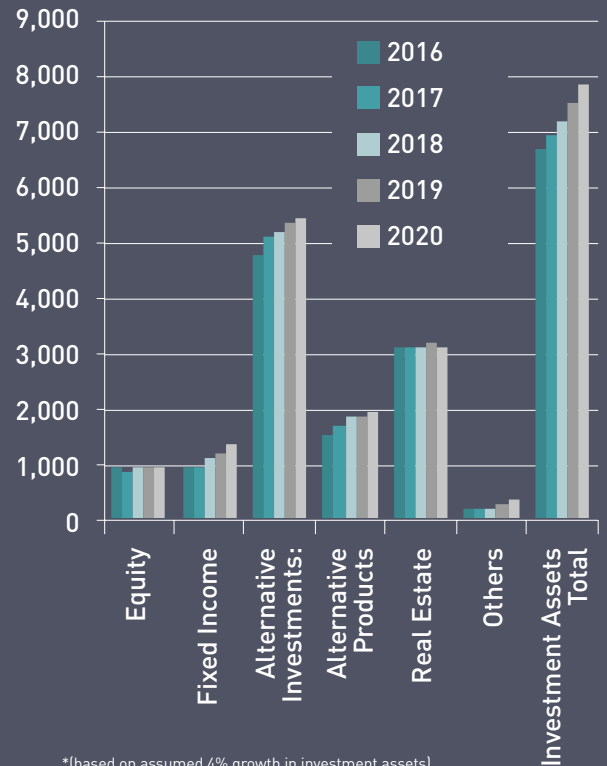
# PORTFOLIO BREAKDOWN



## Asset Growth Overview



## Projected Investment Allocations\*



\*[based on assumed 4% growth in investment assets]

## Asset Growth Trends

<b>Equity</b> One Year (↑6.7%) Two Years (↑65.3%)	<b>Real Estate</b> One Year (↓-14.8%) Two Years (↓-22.2%)
<b>Fixed Income</b> One Year (↑55.3%) Two Years (↑45.0%)	<b>Investment Assets:</b> One Year (↑4.1%) Two Years (↑3.8%)
<b>Alternative Investments:</b> One Year (↓-3.5%) Two Years (↓-9.6%)	<b>Other Assets</b> One Year (↑23.3%) Two Years (↑26.9%)
<b>Alternative Products</b> One Year (↑23.6%) Two Years (↑24.6%)	<b>Total Assets</b> One Year (↑9.6%) Two Years (↑10.2%)

## Partial List of External Asset Managers

### Domestic

LB Investment, Skylake Investments, Lindeman Asia Investments

### Overseas

BlackRock, Carlyle Group, Brookfield Asset Management, Blackstone, Macquarie