KOREA INVESTMENT VALUE ASSET MANAGEMENT

VALUE INVESTING:
PAST, PRESENT, AND FUTURE

A STEP TOWARDS THE FUTURE

Korea Investment
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Anchored at the core of our investment principle, value investing embodies what Korea Investment Value Asset Management is all about. In our long journey towards successful value investing, we have strived to reciprocate investors’ patience with sound returns, under the firm belief that investing in stocks that trade below their intrinsic value will eventually pay off.

The pioneer and leader of value investing in Korea

01 INVESTMENT PHILOSOPHY
Focus on intrinsic value
• We invest in undervalued stocks, which trade at a discount relative to their intrinsic value due to the market’s misunderstanding and irrationality
• We employ a “Buy and Hold” strategy until undervalued stocks reach their intrinsic value

02 INVESTMENT OBJECTIVE
Maximize long-term returns
• By investing in stocks that trade below their real worth in the market, we pursue maximization of long-term returns for our investors
• In an effort to “not lose”, we strike a balance between stability and profitability
• To secure stable returns over the long run, we seek to reduce volatility in investment returns

03 INVESTMENT STRATEGY
Utilize 20 years of investment knowhow and in-depth analysis
• We rely on both quantitative investment indicators and fund managers’ corporate visit-based qualitative analysis
• We consider earnings, asset value, and growth factor in picking our investment targets
• We use strategic intuition, honed through 20 years of investing experience since 1998
We will broaden the scope and deepen the depth of value investing

Dear Investors,

Since its establishment in 2006, KIVAM has consistently upheld its value investing philosophy and principle, in the face of continued dramatic changes surrounding the financial markets at home and abroad. As a consequence of market volatility, we have gone through ups and downs. In better times, we celebrated our stellar performances, while at others, we were depressed by poorer results. Regardless, we have always been committed to our investing principles, but at the same time strived to step forward. As value investing—passed down from Benjamin Graham to Warren Buffet—has continued to evolve, we have persistently endeavored to grow into a genuine advocate of value investing.

In my opinion, it is virtually impossible to discuss the past, the present, and the future of Korea’s value investing, without mentioning KIVAM. For that matter, we are truly grateful for your unwavering trust in us, as we could not have so ambitiously taken our investment strategy, without your support. We will strive to further expand the scope and deepen the depth of value investing, so that your long-time trust and support will be reciprocated with better investment returns.

Thank you.

CEO, KIVAM
Lee, Chai Won
KIVAM’s Evolution over 20 Years

In 1998, Lee Chai Won, the then manager at Dongwon Securities, ambitiously introduced value investing in Korea. Sticking to the principle of investing in stocks that trade at a discount relative to their intrinsic value, KIVAM focuses on conducting a more sophisticated and efficient investment analysis, in a bid to obtain higher returns for investors.

**VALUE INVESTING 1.0**
Take the first step towards a 20-year-long value investing journey

Following the launch of the “Lee Chai Won Dongwon Value Fund No.1” in 1998, Lee Chai Won—former fund manager for Dongwon Securities/current CEO for KIVAM—endeavored to turn his dream of “making value investing work for all” into a reality, and managed Dongwon Securities’ proprietary accounts on his own. Through a quantitative analysis into earnings power value and asset value, Lee invested in stocks with low P/B and low P/E ratios. At the same time, based on a qualitative analysis of business models, Lee bought market-dominant stocks. Dubbed as “Korea’s Warren Buffet”, Lee promised the success of value investing, and played a key role in establishing KIVAM in 2006.

**VALUE INVESTING 2.0**
Advocate value investing

Along with KIVAM’s steady growth into Korea’s major asset manager that specializes in value investing, the Korea Value 10-Year Investment Fund became KIVAM’s flagship equity fund brand. We led the market, utilizing a thorough bottom-up approach based on massive data extracted from more than 1,600 annual corporate visits. Having undergone several challenges, such as the 2008 subprime mortgage crisis and market polarization, we focused on low-priced value stocks. In a bid to reward the investors’ unwavering confidence in our investment knowhow, we rolled out various products, including pension funds, long-term housing trust funds, asset-building savings funds, and child trust funds.

**VALUE INVESTING 3.0**
Fine-tune investment strategies

With value investing taking root in Korea, a growing number of investors started to take greater interest in value stock funds. Amid a continued rollout of equity funds that employ various value investing strategies, we tried to adopt effective techniques that would help us to better utilize our expertise, aimed at spotting undervalued stocks and seeking maximum return. To that end, we focused on buying small/mid-cap stocks that tend to be more neglected by the market than the other stocks, and actively sought to secure long-term investment returns by dividends. We are constantly developing value investing strategies.

**VALUE INVESTING 4.0**
Expand the scope of value investing

Our value investing strategy has become more specified over time. Based on 20 years of experience and knowhow, we have been able to expand the scope of value stocks and further diversify our strategy. The scope of our portfolio has been extended to include not only traditional value stocks, but also quality value stocks, market sensitive stocks, dividend-paying value stocks, small/mid-cap stocks, and good governance stocks. In an era of low growth, we are taking a bold step towards winning the fierce competition and making another leap forward in the financial market where numerous financial products are vying to catch the attention of investors.
Value Investing 4.0: Another Leap Forward in Value Investing

Take value investing to the next level through diversified strategies

To survive the current low-growth environment and ongoing competition in the financial market, KIVAM employs multi-focused and diversified investment strategies and techniques. KIVAM's continued evolution—represented by Value Investing 4.0—is to take Korea's value investing to the next level, bringing innovation to the world of value investing.

TRADITIONAL VALUE STOCKS
- STRATEGY
  - To take advantage of the disparity between a share's intrinsic value and market price (a strategy that serves as a basis for other specified strategies)
- OBJECTIVE
  - To invest in stocks that trade below their intrinsic value
  - To invest in large caps as well as small/mid caps, in pursuit of stable returns

QUALITY VALUE STOCKS
- STRATEGY
  - To take a thorough bottom-up approach and go overweight in stocks that are considerably undervalued for their intrinsic value
- OBJECTIVE
  - To focus on a small number of undervalued stocks with long-term growth potential, in pursuit of maximum returns
  - To make long-term investment in order to reduce volatility inherent in concentrated investment

MARKET SENSITIVE STOCKS
- STRATEGY
  - To invest in accordance with the sector's market weight and pick undervalued stocks in each sector
  - To put economic changes into consideration, and identify value stocks that can advance in a bull market
- OBJECTIVE
  - To strike a balance between value investing and market performance
  - To prevent the portfolio from diverging too much from the market (in order to share the benefit of the market's upturn)

DIVIDEND-PAYING VALUE STOCKS
- STRATEGY
  - To invest in companies that can pay high dividends, backed by earnings stability
  - To invest in companies that can raise their payout ratios, backed by growth potential
- OBJECTIVE
  - To see growth sustainability of the companies via a bottom-up analysis (in addition to quantitative indicators, like dividend yield)
  - To obtain capital gains and high dividend income by investing in the companies that generate stable profits

SMALL/MID-CAP STOCKS
- STRATEGY
  - To buy undervalued and neglected small/mid-cap stocks, which tend to trade at a discount relative to their intrinsic value (far more often than large-cap stocks)
- OBJECTIVE
  - To cut potential losses and seek larger compounded annual returns

GOOD GOVERNANCE STOCKS
- STRATEGY
  - To invest in companies with good governance, a factor that should boost shareholder value
- OBJECTIVE
  - To focus on companies that are well suited to return profits to the shareholders and enhance shareholder value
  - To exercise the institutional investor's voting rights granted under the stewardship code
Writing the history of Korea's value investing, KIVAM is set to expand the scope and deepen the depth of value investing for the future. Our well-established principle of value investing is to guide us as a compass for conducting fiduciary duties owed to the investors.