



GRADUATE SCHOOL OF BUSINESS
SEOUL NATIONAL UNIVERSITY

Mirae Asset : A disruptive innovator in the Korean financial industry

This case was written by Young-Jin Kim under the direction of Soo-Wook Kim, Seoul National University. In-depth interviews with top management of IBK and a wide range of literature review was conducted to develop this case. It is intended to be used as the basis for class discussion rather than to illustrate either effective or ineffective handling of a management situation.

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Introduction

On the morning of December 21st, 2015 Hyeon-Joo Park, Chairman and founder of the financial group Mirae Asset found himself lost in thought as he gazed out of a window on the 36th floor of the Mirae Asset CENTER 1 building in central Seoul. Only a few hours were remaining until the auction of KDB Daewoo securities, the second largest firm in the industry. Public attention was fixed on the results of the most intense M&A in recent history.

As streams of experiences garnered over the last 18 years since founding the firm flowed through his mind, it seemed like only yesterday that he changed the old customs of the financial industry to establish a new investment culture in South Korea, and became a leader in global expansion. However, the concerns of an uncertain future weighed heavily on his shoulders.

The result released 3 days later nominated Mirae Asset as the new owner. A relatively new firm founded in 1997 had taken over one of Korea's leading securities companies. The market was interested in the birth of a national investment banking and brokerage leader with KRW 8 trillion (USD 7 billion) of equity capital. The chairman anticipated synergy from Mirae Asset's global asset management capability and KDB Daewoo's expertise as an investment bank (IB) would create a global investment bank at the forefront of the Asian market.

As of 2015, Mirae Asset evolved into an investment group with a global footprint. By year-end, assets under management (AUM) of Mirae Asset Group exceeded KRW 160 trillion (USD 140 billion). AUM held by Mirae Asset Global Investments totaled KRW 88 trillion (USD 77 billion), 33% of which (USD 25 billion) was attributed to overseas assets (Appendix 2). This was the first time in the country's history that a Korea-based financial firm directly sold mutual funds to overseas investors. Mirae Asset presently offers its financial solutions in over 30 countries and sales have exceeded KRW 11 trillion (USD 9.5 billion). Mirae Asset's global network of 12 countries has served as the foundation for global competitiveness by securing future earnings and dispersing the risks in investments (Appendix 3). The network expanded from a base in the Asia-Pacific region to Brazil and leading financial countries such as the United Kingdom and the United States, connecting the opposite sides of the earth.

Chairman Park bore in mind that Mirae Asset should continuously move forward by blazing unfamiliar roads as the objective since establishment was to pioneer a path irrespective of traditional practices. For that to happen, a disruptive innovation of creating a revolutionary path by looking back at the lessons learned was essential. He strove to continuously integrate disruptive innovation into the existing DNA of the firm, the financial products and services offered, its business models, and its organizational dynamics.

Pioneering a New Path

Foundation of Mirae Asset, the Beginning of Disruptive Innovation

“The biggest innovation of Mirae Asset Group is the foundation of Mirae Asset.”
- Hyeon-Joo Park, Chairman and Founder of Mirae Asset

In the early 1990s, Park took position as a branch manager at the Dongwon Securities branch in Apgujeong and was the youngest branch manager in the history of the Korean securities industry. One year into his time as the branch manager, Park reshaped the Apgujeong branch from the lowest performing into the most profitable branch within the entire company. Leaving all the success and acclaim behind, Park planned to create a financial business. Park's decision seemed reckless to many people, as it was difficult to start such a venture without significant capital. However, Park was resolute in his decision of embarking on this endeavor, as he firmly believed in providing what customers needed rather than what they desired. In addition, he was aware of the possibility of the impending financial crisis in Korea and was certain that a fundamental revolution in the Korean financial industry was paramount in order to overcome the impending challenges.

While preparing the new business Park pondered about introducing a new business model and the profit generation measure to suggest a new paradigm for the Korean financial market. At that time, revenues earned in the securities business was mainly composed of stock trading commissions. In the 1990s, the standard commission was 0.5%, thus when a customer sold and bought stocks, the brokerage could easily earn 1% in commissions on the value of trades. In general, brokerages earned commission regardless of the customer's profit or loss and therefore profiting from investments in stocks was solely the client's interest. This practice dominated the securities trading business industry and high stock turnover was prioritized over the customer (see Appendix 4).

Mirae Asset, founded by Chairman Park in 1997, sought to align the incentives of asset management and the customer's long-term wealth objectives as part of its core values, as opposed to trading commissions. Unlike existing securities firms at the time, Mirae Asset securities branch established in 1999 omitted any electronic displays for stock quotations. There were complaints from customers wishing to purchase stocks, but Park emphasized that Mirae Asset should truly care about the welfare of customers by managing their assets with sound investment products, instead of suggesting individual stock trades.

Established in 1997, Mirae Asset's asset management arm¹ developed the first equity mutual fund in Korea that was introduced to investors the following year. Other asset management players focused on bond funds, which guaranteed fixed stable returns, although these were insufficient to placate investors and limited investment opportunities (see Appendix 7). Starting with this first equity mutual fund, Mirae Asset continued to offer products that invested in various types of assets for investors and encouraged the growth of the indirect investment market in Korea.

Initiating a New Investment Paradigm

Predicting the era of indirect investment

When Korea's first equity mutual fund "Park Hyeon-Joo 1" was introduced in December 1998, the word "fund" was not readily familiar in Korea (see Appendix 5). People used to depend on direct investments, and with information for individual equities remaining opaque, retail investors relied on market rumors for purchasing decisions instead of comparing the competitive competencies of business models or their fair market value. Moreover, investors could buy indirect investment products such as bond funds through three major investment trust companies (ITCs), yet the rate of return was fixed and confined (see Appendix 6).

While preparing for the establishment of Mirae Asset, Park thoroughly analyzed the history and industrial structure of financially developed countries such as the United States and the United Kingdom. He noted that indirect investments amounted to 80% of all investments in these developed countries. The norm was for researchers to collect objective data, analysts to analyze the collected data, and fund managers to select assets based on such assessments prior to making an investment decision. More stable returns were being achieved through indirect investment by experts than through direct investments conducted by individuals. Mirae Asset first studied these foreign cases and examined possibilities for application in Korea's domestic market. Following this evaluation, Mirae Asset brought the first equity mutual funds to market with confidence.

The Asian financial crisis in 1997 allowed the government to modify laws and systems related to indirect investment. The International Monetary Fund (IMF) provided an emergency loan package to the Korean government and demanded the restructuring of the financial market, including the revitalization of the indirect investment market. In October 2003, the Indirect Investment Asset Management Business Act was enacted to reform the indirect investment of the financial market and came into force in May 2004. This signaled a new era of the Korean financial services industry and investment culture. Previously, the public had only been able to

¹ It was the first asset management company in Korea established in July 1997, which was merged into Mirae asset Financial Group in November 2006.

invest in marketable securities such as equity or bonds. However, the act opened up commodities, such as real estate, gold, crude oil, and even derivatives (outside of credit derivatives) to investors.

Educating the Investors as the top priority

In the 1990s, it was broadly accepted that stocks were risky assets. Most investors preferred less volatile assets such as real estate or bonds. Because of the sudden rise of real estate prices between the 1980s and mid-90s, real estate was highly preferred as a means to invest. In 1997, the Korean economy experienced a foreign exchange crisis, and the KOSPI plummeted to 300 points, which was what the KOSPI had been about 15 years ago and the price earnings ratio (PER²) of Korean companies dropped 40 percent in 2001. At this juncture, investors could only possess negative perceptions toward investing in stocks.

It is a common knowledge that the value of a company is reflected in its stock price. Mirae Asset focused on this basic principle from the beginning. After the rapid economic growth through three decades of industrialization, plenty of Korean companies began to expand overseas. This led to quantitative and qualitative improvement in the performance of Korean companies in terms of their profits (Appendix 8). Mirae Asset took note that Korean companies provided for admirable investment opportunities.

Foreign investors recognized the potential of the Korean manufacturing industry and expected that Korean companies would benefit directly from Chinese economic growth. The active efforts of the Korean government to restructure also served as a positive signal for foreign investors who had started purchasing Korean company stocks that had been devalued from the foreign exchange crisis. The results from the industrious effort of Korean companies and people were being capitalized upon by foreign capital.

Mirae Asset introduced Korea's first equity mutual fund that invests in undervalued Korean companies. The fund trusted in the potential of Korean companies and aimed to transform the economic growth into positive fund returns for domestic investors. Mirae Asset then began to educate investors who had failed to recognize the potential of domestic companies until then. In 2004, the first Mirae Asset Institute for Investment Education was established to educate domestic investors.

Leading the History as the No.1 in Korea

In September 1998, three months after the sale of mutual funds were allowed, Mirae Asset began distributing Korea's first closed-end mutual fund, "Park Hyeon-Joo 1." Park exhibited his strong belief and aspirations to increase customer wealth by utilizing his name for the fund. Mirae Asset spent about KRW 10 billion (USD 8.7 million) of its capital to publicize the "Mirae Asset" brand and the new product. The amount was substantial enough to allow for the purchase of 150 double-sided advertisements in the daily newspaper at the time of 1998.

Existing investment trust companies were skeptical of closed-end mutual funds as the expiration dates were predetermined and such funds appeared illiquid from an investor's perspective. Mirae Asset faced many potential limitations on managing the fund as well. Furthermore, the launch date of Park Hyeon-Joo 1 closely followed the foreign exchange crisis, placing enormous pressure on overall market sentiment. However, despite such adverse conditions, the sales for "Park Hyeon-Joo 1" reached its stipulated limit of KRW 50 billion (USD 43 million) within several hours, far surpassing expectations.

After the sensational debut of "Park Hyeon-Joo 1," other investment trust companies benchmarked and launched similar types of equity funds in their pursuit of such success. New funds were launched on a daily basis. "Mutual fund equity funds", which blended the strengths of both the over-the-counter markets and mutual funds, appeared in the market, bringing forth an equity fund fever in Korea.³ In March 1999, Hyundai Investment Trust Management's beneficiary certificate "Buy Korea Fund" acquired KRW 11 trillion (USD 9.6

² It is the result of current share price divided by earning per share, which is used as an indicator for investment decisions by showing how many times the current stock price is bigger than the earning per share.

³ Kyunghyang Newspaper 'Fund Sensation, the Second Blind Investment' (1999.1.9)

billion) within 4 months by aggressively appealing to domestic investors to purchase undervalued Korean company stocks. Cash infusions like this positively influenced the stock market to overcome the foreign exchange crisis and the return rate of “Park Hyeon-Joo 1” almost doubled.

Mirae Asset’s actions as the forerunner in Korea prevailed. Mirae Asset continued to develop and launch various financial products such as real estate funds, foreign fixed income funds, and private equity funds⁴ that were the first of their kind in Korea.

Overcoming Three Economic Crises

Crisis, Another Word for Opportunity

“Investments should be based on honesty and trust. The first virtue of a professional investor is integrity.”

- Hyeon-Joo Park, CEO of Mirae Asset

In December 1999, Mirae Asset once again launched “Park Hyeon-Joo Growth Fund 2” that invested in domestic blue-chip stocks. Unfortunately, the market conditions were completely different from those of “Park Hyeon-Joo 1”. In 2000, the Korean stock market fell steeply and pronouncedly. Several foreign institutional investors took advantage of “Park Hyeon-Joo Growth Fund 2” being a closed-end fund by selling most of their security issues that were also held in “Park Hyeon-Joo Growth Fund 2” right before the dissolution of the fund. “Park Hyeon-Joo Growth Fund 2” was obligated to sell stocks at an undervalued level due to the structural weakness of a closed-end fund.

After experiencing an unexpected market downfall, Park scrupulously analyzed the root-cause and searched for a solution through self-evaluation. Introspectively, he revisited the situation and decided to review his previous studies. He left Korea in March 2001 to attend the Advanced Management Program (AMP) of Harvard University, where he assessed case studies of successes and failures of various companies. Park successfully finished the program despite his age (40s) and language barriers.

While attending AMP, Park made a significant decision to transform himself first, to overcome the crisis. First, he realized Mirae Asset was seeking a leader capable of visualizing the future and formulating an effective strategy. As a result, he revised his job title from a portfolio manager to an executive manager and titled himself as a “Global Investment Strategist” on his business card.

A transformation was also needed business-wise; the solution in the textbook. “Investment decisions should follow a long-term perspective because no one is free from the recurring volatility of the market. One needs to have balance through diversification. Excessive leverage should be avoided.” Based on these principles, Mirae Asset aggressively pioneered the foreign markets, becoming a leader in alternative investments with an embedded long-term investment culture.

Overseas Expansion

Mirae Asset was the first Korean asset management firm to announce overseas expansion in 2001. Park was under greater pressure than when first establishing the company four years ago. He established the firm with a vague hope of having a chance to invest in Silicon Valley in the future, but it became a reality much sooner than expected. Park pondered whether a Korean financial firm with a short industry experience could become competitive in New York or London, or if there were reasons for foreign investors to entrust investments to Mirae Asset. These were new considerable matters of grave importance that went beyond initial concerns.

There was a need to persuade employees during the overseas expansion process. During the early 2000s, a huge amount of capital tied up in deposits flowed into the stock market as a part of the RSP (regular savings

⁴ Fund which enables participation in management by massively acquiring the share of a particular company

plan) fund fever. As a result, many inside the company were skeptical. There were negative opinions regarding overseas expansion as hundreds of billions of Korean Won were being poured into domestic equity funds, and whether it was necessary to invest in a business with unguaranteed and unpredictable results.

Nonetheless, Park had confidence in overseas expansion. In 2003, Park formed a separate team to expand the business abroad and promote the establishment of the foreign branch, and personally took charge in leading the team. He relocated to Hong Kong and Singapore, communicating with local financial authorities and local customers face-to-face in order to introduce Mirae Asset. He gave his best on the front lines just as he did when he founded the firm.

After a year of effort and preparation, Park finally established Mirae Asset's first overseas branch in Hong Kong in December 2003. It was a particularly unusual case for firms in industries outside of manufacturing and services, especially in finance, to enter the global market. The existing foreign branches of domestic banks were merely extensions of domestic businesses for local Korean residents to transfer money to Korea or to secure loans. While domestic financial firms were eager to set up a joint venture with foreign asset management firms to establish asset management firms in Korea rather than abroad, Mirae Asset prepared for another year and a half to construct a network and start selling funds to customers after receiving authorization for financial services operations in Hong Kong.

Unlike other financial firms, Mirae Asset was determined to advance abroad in an independent fashion. To this end, Mirae Asset pursued a new business model that could create profit by accumulating local customers. Starting with Hong Kong, the company established 11 branches in countries such as India, the United Kingdom, the United States, and Canada. Almost KRW one trillion (USD 870 million) had been spent under local investment and personnel expenses over the next 10 years since overseas expansion began in 2003. Park believed that a company matures through taking strategic investments in its systems and employees.

Discovering Various Types of Assets

Fundamentally, volatility in the stock market is inevitable and unpredictable. The diversification of investment assets is essential because fluctuations occur due to market conditions and investor sentiments. Composing an investment portfolio with assets of different characteristics yields relatively stable profit even in a rapidly changing market environment. Especially from an asset management firm's perspective, it was crucial to develop products with stable returns for customers preparing for their retirement. With the advent of an aging society and a period of low interest rates, financial products with low variability and stable profit had become increasingly important for the retired baby-boomer generation.

Park turned his focus overseas and developed the first domestic financial vehicle to invest in global bonds. In addition to investing in traditional assets such as stocks and bonds, he supplied unorthodox investment assets with lower standard deviation and just a slightly lower expected rate of return. He diversified the portfolio with various dividend paying stocks, office buildings, real estate, and social overhead capital facilities. Accordingly, the first real estate fund and private equity fund in Korea were introduced under Mirae Asset.

In May 2006, Mirae Asset invested in a building in mainland China. It was unprecedented, for a domestic investor to purchase a building beyond the border with its own capital. This event marked the beginning of domestic alternative investments.

Long-term Investment

In July 2000, the Korean government revised the securities investment laws to permit the sales of semi-open mutual funds, which could be redeemed three months after registration.⁵ This measure modified the systemic limits that could cause losses for closed-end funds like "Park Hyeon-Joo Growth Fund 2". In February 2001, Mirae Asset registered Korea's first open-end mutual fund, "Mirae Asset Independence Equity Fund." An RSP

⁵ Maeil Business News Korea 'Permission of mutual fund which can be resold in 3 months' (2007.7.27)

fund inspired by the 401K⁶ plan of the United States with monthly annuity investments providing relatively high rates of return was introduced as well. By making long-term monthly investments and dispersing the periods for buying and selling assets, investors could reduce the amount of risk associated with buying assets at a high cost and selling at a low price. Especially when the market rose, investors could secure relatively stabilize profits while simultaneously managing risks. Since Korean investors were accustomed to and familiar with making monthly insurance payments, the long-term investment culture was widely accepted.

However, Park still judged that investors lacked understanding and unified perception of a long-term investment. Thus, Mirae Asset established Korea's first Investment Education Research Institute and Retirement Pension Research Institute in 2004 and 2005, respectively. To achieve Mirae Asset's vision of "Pursuing excellence in investment management to help our clients achieve their long-term objectives", a long-term investment culture was required in Korea. Those with long-term investment perceptions could reduce investment risks from sudden impulsive decision-making.

Importance of Balance in Investment

The IMF crisis closely following the foundation of Mirae Asset in 1997, the Korean market collapse in 2000, and the U.S. subprime mortgage turmoil of 2007 were the three major crises that affected Mirae Asset. The company introduced the first domestic equity fund after the IMF crisis and widened their focus to the overseas markets during the Korean market collapse. The U.S. subprime turmoil was a reminder to diversify and nurture the alternative investment segments.

The global financial crisis⁷ that began in 2007 with the bankruptcy of the U.S. subprime mortgage market impaired the global financial landscape and strongly influenced the Korean market. Mirae Asset could not avoid the crisis. Just as the 2000 Korean market collapse had negatively impacted "Park Hyeon-Joo Growth Fund 2," the 2007 crisis directly impacted Mirae Asset's global funds.

In particular, the "Insight Fund" that was launched just prior to the crisis was directly affected. "Insight Fund" aimed to discover rewarding investment targets around the globe backed by the previously proven global management capability. Within a week after launch, it raised KRW 3.3 trillion (USD 2.9 billion), and was expected to gather KRW 5 trillion (USD 4.4 billion) by the end of the year.

However, the "Insight Fund" took a major hit due to the global financial crisis, with its loss increasing to approximately 50% by early 2009. Some believed that the excessive investment in emerging markets, such as China, was the main cause of a large-scale loss. Nonetheless, not even the United States, Korea, or any other countries could avoid the collapse of the financial market during the crisis (see Appendix 9). It took seven years for the "Insight fund" to revert back to positive return.

The collapse of the global market could not be solely prevented with overseas expansion. Promoting the alternative investment market, such as real estate or private equity fund, was the only solution to the global market crisis. Until the recovery of the "Insight Fund," basic principles of investment were adhered to and referenced once more, advocating a balanced pursuit of risk management and long-term returns.

⁶ Article K concerning tax benefits was added to Article 401 of Employee Retirement Income Security Act of United States in 1981, and since it is called 401K. 401K is a corporate pension of United States where a corporate saves a certain amount of pension every month and its employees manage it using various assets, which largely contributed to retirement savings for employees in United States.

⁷ In 2007, global financial crisis began when New Century Financial, the second-largest subprime mortgage company in United States, and American Home Mortgage Investment (AHMI), the tenth-largest subprime mortgage company, filed for Chapter 11 bankruptcy. Ben Bernanke, the chairperson of Board of Governors of the Federal Reserve System, stated that the financial loss according to the subprime mortgage crisis was estimated up to 100 billion dollars at the hearing of Senate Committee on Banking.

Mirae Asset's principle to prioritize risk management in investing grew firmer. "Manage but do not avoid risk." Mirae Asset examined investments following enhanced risk management standards. Only 10% of the projects for examination that passed strict standards were authorized for investments.

Long-term Strategy, the Beginning of the Fruition

Maintaining a Lead in Global Competition

"Asset management is an industry built on honesty and trust."

- Hyeon-Joo Park, Chairman of Mirae Asset

In 2003, Mirae Asset incorporated an entity in Hong Kong. In 2005, Mirae Asset launched the "Asia Pacific Star Fund," the first overseas fund to be launched by a Korean company. In 2008, Mirae Asset launched the "Global Discovery Fund", the first Korean fund domiciled and distributed overseas. Mirae Asset targeted overseas operations and the development of funds, while other Korean asset management companies were focused on setting up domestic funds because Mirae Asset understood that the ability to persuade customers of diverse nationalities granted competitiveness on the global stage. Notable results were observed 10 years after the preparations for overseas expansion had begun. Mirae Asset's Asia equity funds sold overseas garnered the highest rating of five stars from the global fund evaluation company Morningstar (see Appendix 10). The Lipper Fund Award and the Asian Private Banker Award were awarded additionally based on their stable long-term return rate.⁸

As of December 2015, Mirae Asset distributes funds in 32 countries, and have over 170 funds set-up overseas. Assets raised overseas sum up to over KRW 11 trillion (USD 9.6 billion). Meanwhile, institutional investors in Europe, Asia and Latin America have started to subscribe into Mirae Asset funds in light of its outstanding results (see Appendix 11).

Furthermore, the view of overseas expansion in Korea changed since Mirae Asset traveled overseas. Institutional investors that were initially skeptical in the past are now proactively demanding global funds. The government is ardently supporting overseas expansion by relaxing regulations on unnecessary financial restrictions.

Would the industry be different if Mirae Asset had decided to not pursue overseas expansion 10 years ago or had abandoned the international business expansion because there was no immediate outcome? It would have undoubtedly taken much longer for the Korean financial industry to reduce its dependence on domestic investments. The energy allowing Park to endure until Mirae Asset attained visible results with an unconventional approach arose from a resilient obligation to innovate the Korean capital market.

Writing the history of Korean alternative investments

"True innovation is the process of creating a new business and market"

Hyeon-Joo Park, Chairman of Mirae Asset

Even though the purchase of Pudong Tower in Shanghai, China may now be evaluated as the first success of alternative investments emanating from Korea, there were various opposing opinions regarding the decision at its onset. In the mid-2000s, the capitalization rate⁹ on Korea real estate was 7-8%, while the rate for the Pudong Tower was expected to be less than 4%. It was a predominant opinion even within Mirae Asset that the

⁸ In 2015, Lipper, world-renowned fund evaluating company, gave Best-in-Class award to Mirae asset Financial Group, which was the only management company in Asia.

⁹ Typical indicator for evaluating the profitability of buildings for investment

undertaking was quite expensive. Institutional investors like pension funds were more concerned that they could lose their property rights since China's land grant usage rights lasted up to 50 years.

However, Mirae Asset paid special attention to the shifting of the center of economic growth towards China. At that time, the Chinese economy was growing at a steady rate of 10% per annum on average. In particular, Shanghai recorded a 13.6% year over year (YoY) GDP growth rate for 2004, and 30.4% YoY increase in real estate investments. The population of Shanghai was predicted to reach over 40 million under the assumption that the estimated urbanization levels would surpass 50%.

Park pictured the development of Shanghai as a financial center. He especially predicted global conglomerates and banking institutes crowding to Pudong, Lujiazui. Shanghai had historically been the center of Chinese finance and Lujiazui was perched as the central business district of Shanghai. It was also beneficial that there were difficulties in supplying additional estate around the area.

Other financial institutions also began their movements to purchase various properties. The Singapore Investment Corporation completed their purchase of Asia Center in Shanghai, while global investment banks like Goldman Sachs and Macquarie were actively promoting real estate purchases in Shanghai. However, Korean institutional investors still maintained their stance that Chinese real estate investment was risky, despite the Lujiazui district real estate supply shortage.

Investment in the Pudong Tower was a significant success for Mirae Asset. Its appraisal value has more than tripled since the purchase at KRW 350 billion (USD 307 million) in 2006 to KRW 1 trillion (USD 877.7 million) as of December 2015. Although the rent is three times higher than those of new office buildings in central Seoul, and one of the highest in the Pudong Lujiazui district, Pudong Tower maintains a naturally low vacancy rate with its tenants.

Since then, Mirae Asset has expanded the base of alternative investments through establishing real estate funds and private equity funds continuously and concertedly. Mirae Asset acquired Acushnet Company which holds the largest golf brand, Titleist, in 2011 and Horizons ETFs, the 3rd largest ETF management company in Canada¹⁰. This takeover gathered more attention overseas rather than in Korea, as Mirae Asset was a globally unknown company until then. In 2013, Mirae Asset acquired Four Seasons Sydney in Australia and invested in Coffee Bean & Tea Leaf U.S. In 2014, the firm acquired an office building in Washington DC wherein the Federal Reserve Board is based. Mirae Asset further broadened the scope of the alternative investments through the acquisition of a luxury five star resort, Fairmont Orchid Hawaii and a landmark Fairmont Hotel in San Francisco.



Mirae Asset Tower, Pudong, Shanghai



Four Seasons Sydney, Australia (2013)



1801 K Street, Washington (2014)



Fairmont Hotel, San Francisco (2015)

¹⁰ It was the first case of domestic management company to take over foreign management company. Since then, Mirae Asset took over local management companies in Taiwan and Australia, and established 'Mirae Asset Huachen Fund Management' in 2012, which is a joint venture in China.

The Analysis of Global Trend Hits the Target

“God gave us two eyes as a gift, one to observe the present and the other to foresee the future”
Hyeon-Joo Park, Chairman of Mirae Asset

As important as it is to discover various investment assets, it is also important to develop and offer products that can generate stable profits. Accordingly, Mirae Asset focused on predicting and analyzing long-term market trends. Mirae Asset focused on three mega trends of population growth in emerging markets: information technology (IT), innovation, and aging societies. Population growth is essential for long-term development of different national economies since it drives an increase in consumption and influences cyclical development of industries and the economy. From neighboring China and India to Brazil, a multitude of developing nations housed growth engines based on population growth at the time. Mirae Asset also focused on the IT industry that is fundamentally influencing lifestyles, and the healthcare-related areas resulting from aging societies. The IT industry is altering our lives and making fundamental changes in the financial industry (e.g., Fintech), while healthcare-related areas are expected to develop in the aging society. Global companies like GE have already started to strategically promote bio-tech and healthcare as future growth engines.

Mirae Asset set its differentiated investment theme “Great Consumer” based on these three-mega trends. The “Asia Consumer Fund” is a financial product prepared for the phenomenon of an increasing middle class and rising income levels within Asia, which accounts for 60% of the world’s population. More than that, the “Sector leader Fund” which was put together for intensive investment in certain areas or industries adhering to the mega trend guidelines proved to be popular. As time passed by, the global trends Mirae Asset analyzed were continuously proven to be accurate. Asia funds of Mirae Asset excelled, receiving favorable ratings from several evaluation institutes and ratings organizations. At the end of December 2015, 23 funds of Mirae Asset received the highest-rating offered by Morningstar. Most notably, “Asia Great Consumer Fund” and “Asia Sector Leader Fund” obtained the highest rates of risk-adjusted returns in the Asia ex-Japan category among funds launched in the U.S. during the past three years.

The future of Mirae Asset is continuous disruptive innovation

“A Leader must be capable of imagining the impossible”
- Hyeon-Joo Park, Chairman of Mirae Asset

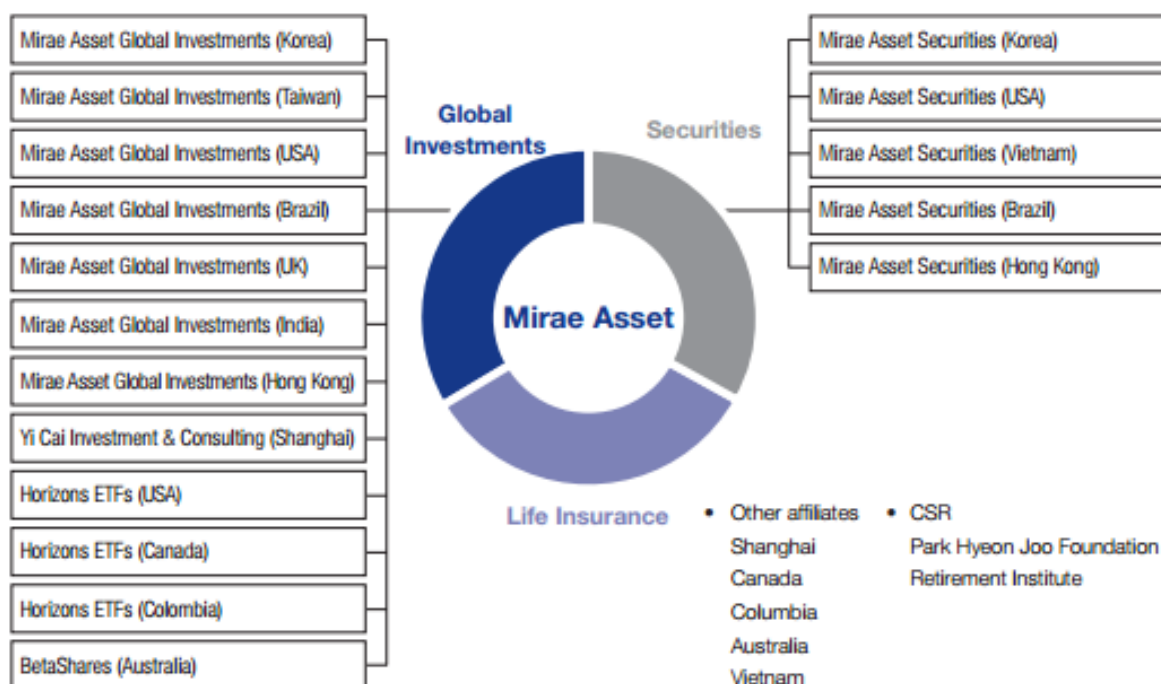
Mirae Asset always has been a game-changing pioneer since its establishment. The company launched Korea’s first equity mutual fund and overseas fixed income fund while offering Korea’s first real estate and private equity funds. Mirae Asset paved the way for Korea’s alternative investment market. Furthermore, Mirae Asset was the first asset management company to expand overseas from Korea, and since then has maintained growth as a global investment expert by acquiring multiple overseas asset management companies and the second largest securities firm in Korea. Mirae Asset expanded business areas from Korea to overseas with a sense of duty to develop Korean capital, and matured into a global investment firm, extending Korea’s finance industry to cover new asset classes in the alternatives space and geographies.

Since its establishment, Mirae Asset’s unconventional perspective and adventurous spirit played a vital role in its growth. Mirae Asset overcame two financial crises in an era facing an aging society and slow growth economy to mature into Korea’s largest securities firm and most innovative financial group. Park suggests that our society needs this daring spirit and emphasizes the urgency to develop future industries and revitalize the investment culture to transform and prepare our overall financial market to adequately manage the current low growth economy and aging society. Enterprises are like organisms that rely on investments, growing when investment culture develops. Thus, an economy can revitalize its economic dynamism in such a fashion.

Mirae Asset, a firm that started with a capital investment of KRW 10 billion (USD 8.7 million) right before the IMF crisis in Korea, will reach a capital of KRW 11 trillion (USD 9.6 billion) when the merger and acquisition of Daewoo Securities is completed. The total AUM of the group is expected to be about KRW 300 trillion (USD 263 billion), and the combined scales of invested assets is to be KRW 100 trillion (USD 87 billion). In less than 20 years, the company expanded to a size over 1,000 times since its establishment. Currently, Mirae Asset is ready to stand tall as a representative financial company not only in Korea but in the Asian market as a whole.

Mirae Asset will encounter challenges continuously as Park understands that risks are not to be avoided, but rather managed. Mirae Asset is poised to maneuver challenges encountered and transform them into opportunities based on a track-record of destructive innovation. Mirae Asset proactively shapes the future without indulging in the past and the present. The company is guided by the saying that “Companies taking no action don’t fail but are left behind.” As Mirae Asset dreams of becoming a “Permanent Innovator” that creates new products, markets, and business models motivated by its customer-oriented spirit; many are curious to see the future path of Mirae Asset.

Appendix 1. Organization structure of Mirae Asset Group (as of December 2015)



Source: Mirae Asset

Appendix 2. AUM of Mirae Asset Global Investments (as of December 2015)

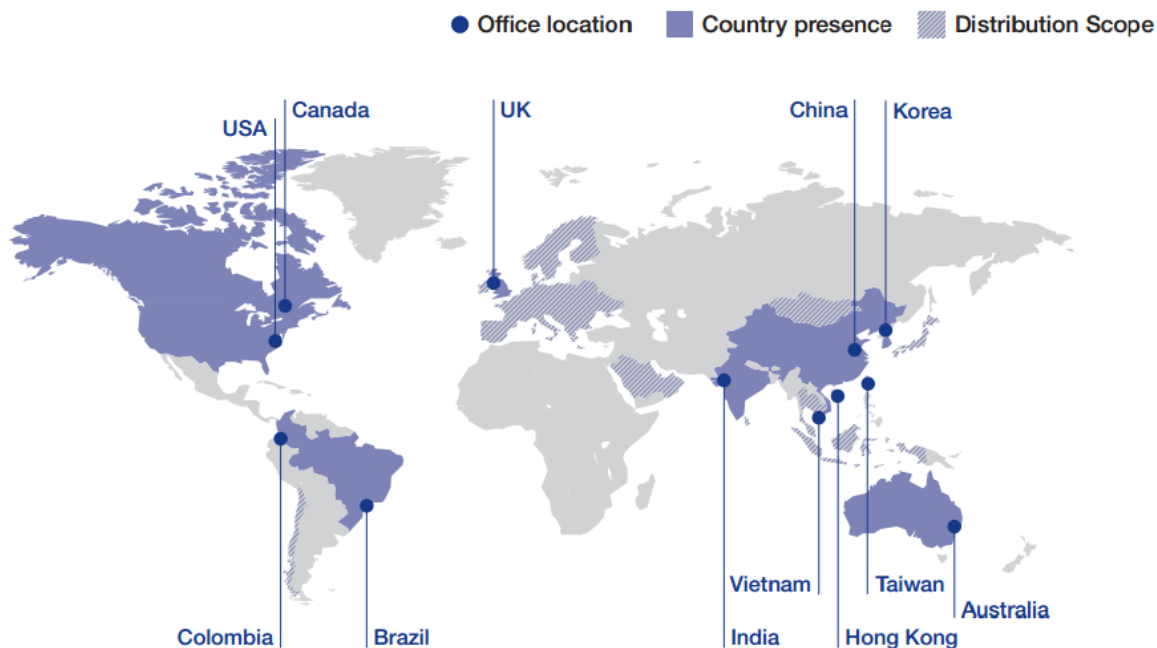
(100 million ₩)

| | Stock | Fixed Income | ETF | AI | Others | Total |
|----------------------|----------------|----------------|----------------|---------------|----------------|----------------|
| Overseas Sales | 35,601 | 6,284 | 65,978 | - | 3,233 | 111,096 |
| Korea domestic sales | 140,281 | 233,342 | 50,686 | 79,002 | 270,167 | 773,478 |
| Total | 175,882 | 239,626 | 116,664 | 79,002 | 273,400 | 884,574 |

(%)

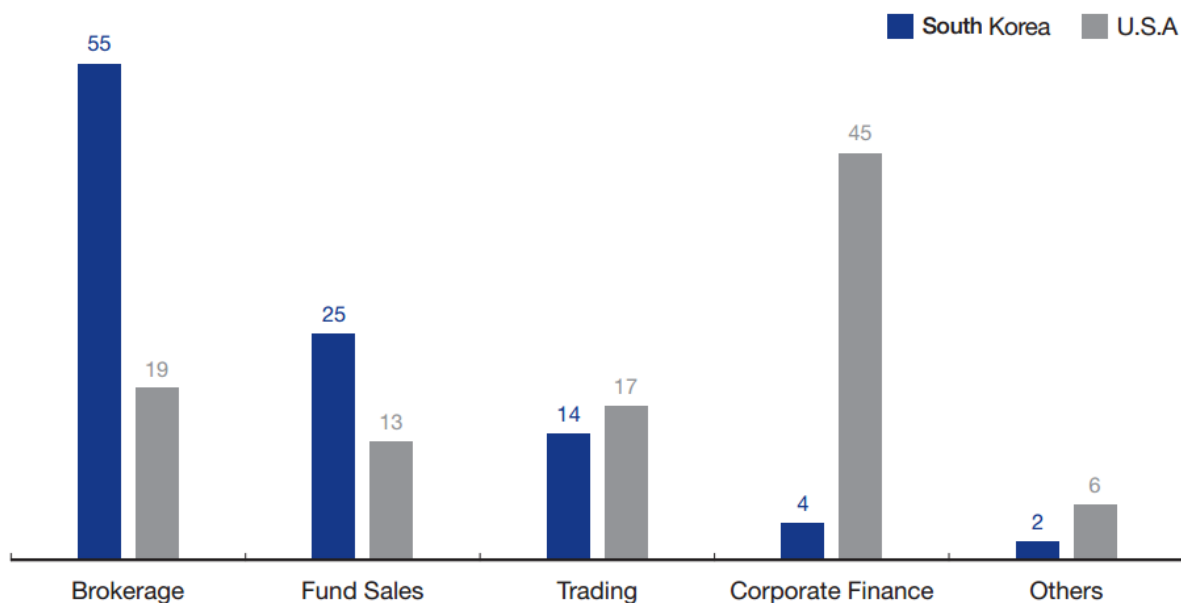
| | Stock | Fixed Income | ETF | AI | Others | Total |
|----------------------|-------------|--------------|-------------|------------|-------------|--------------|
| Overseas Sales | 4.0 | 0.7 | 7.5 | - | 0.4 | 12.6 |
| Korea domestic sales | 15.9 | 26.4 | 5.7 | 8.9 | 30.5 | 87.4 |
| Total | 19.9 | 27.1 | 13.2 | 8.9 | 30.9 | 100.0 |

Appendix 3. Mirae Asset's global network (as of December 2015)



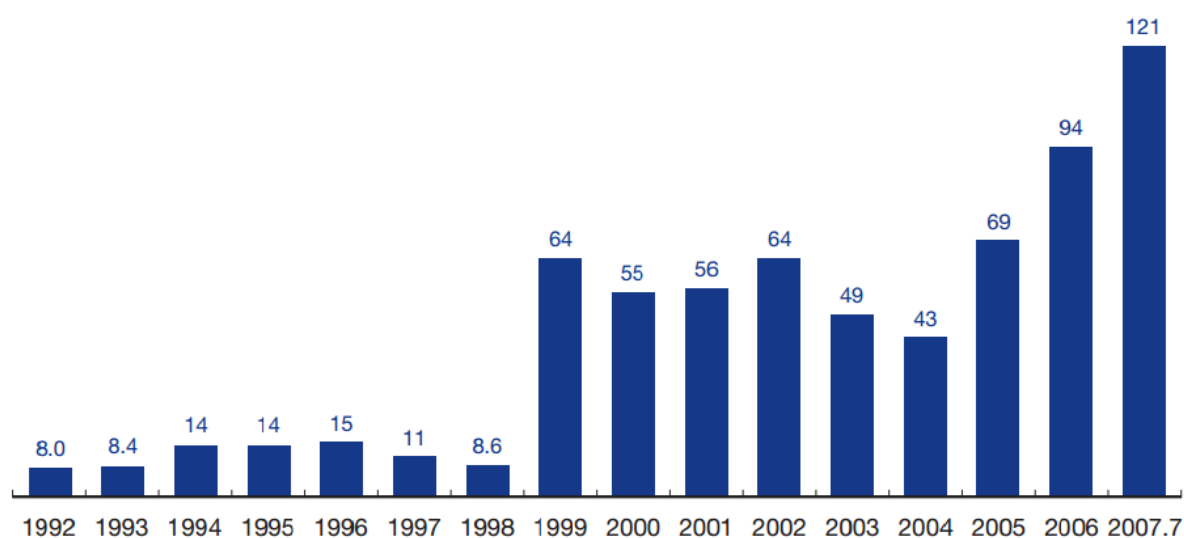
- Mirae Asset Global Investments: Korea, Taiwan, USA, Vietnam, Brazil, UK, India, China, Canada, Colombia, Australia, Hong Kong (Horizons ETFs, BetaShares, Offices inc.)
- Mirae Asset Securities: Korea, USA, Vietnam, Brazil, China, Hong Kong (Offices inc.)

Appendix 4. Profit structure comparison for Korean and American securities companies
(as of 2007, unit: %)



Source: The Korea Securities and Dealers Association

Appendix 5. Market size of equity funds in South Korea (trillion ₩)



Statistics: Asset Management Association of Korea

Source: KRX (Korea Exchange) Report on changes of investment environment after opening of domestic stock market

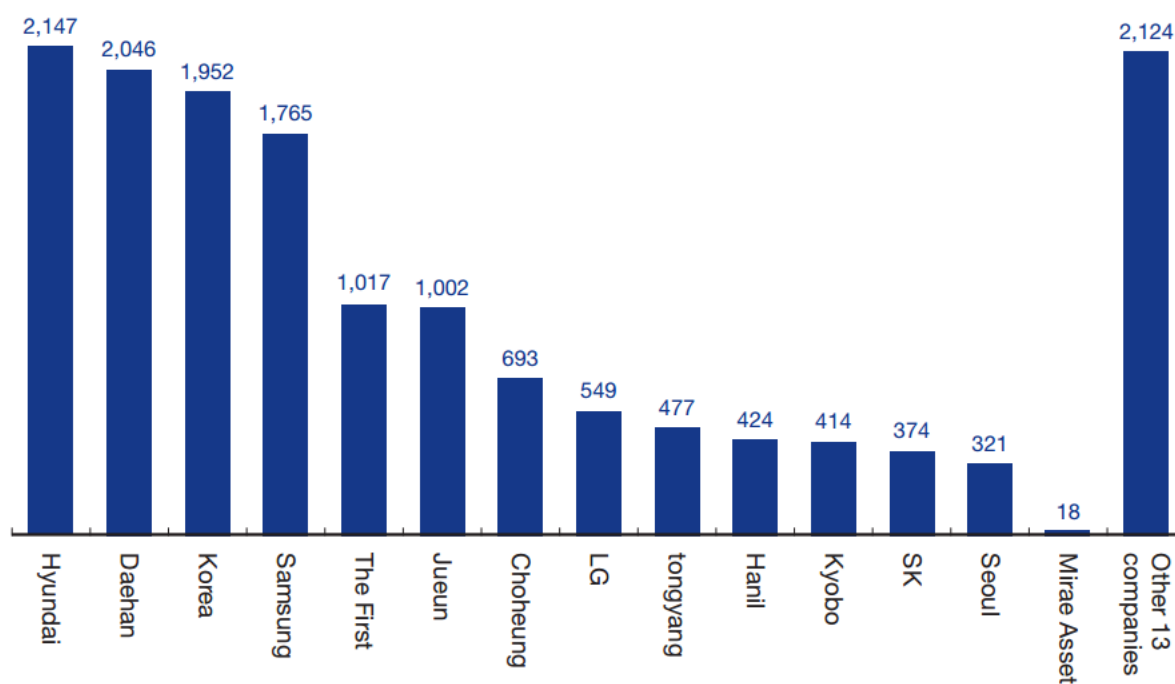
Remarks: Total sum of equity funds and mixed funds since 2000

Appendix 6. Asset under management of investment trusts in South Korea (100 Million ₩)

| | Equities | Mixed (Equities) | Mixed (Fixed Income) | Fixed Income |
|------|-----------|------------------|----------------------|--------------|
| 2004 | 54,595 | 34,935 | 118,669 | 251,614 |
| 2005 | 258,395 | 40,874 | 144,720 | 115,357 |
| 2006 | 435,689 | 59,317 | 133,296 | 86,804 |
| 2007 | 1,253,314 | 96,407 | 111,364 | 65,191 |
| 2008 | 765,839 | 62,699 | 69,413 | 59,485 |
| 2009 | 1,065,131 | 80,647 | 66,701 | 77,079 |
| 2010 | 939,523 | 70,637 | 78,545 | 96,510 |
| 2011 | 796,141 | 54,656 | 62,495 | 96,457 |
| 2012 | 796,594 | 49,456 | 63,819 | 129,070 |
| 2013 | 721,640 | 58,493 | 76,612 | 124,220 |
| 2014 | 635,762 | 59,718 | 108,152 | 152,645 |

Source: Financial Supervisory Service

Appendix 7. Net asset value of financial companies in South Korea (as of June 2000, 10 billion ₩)



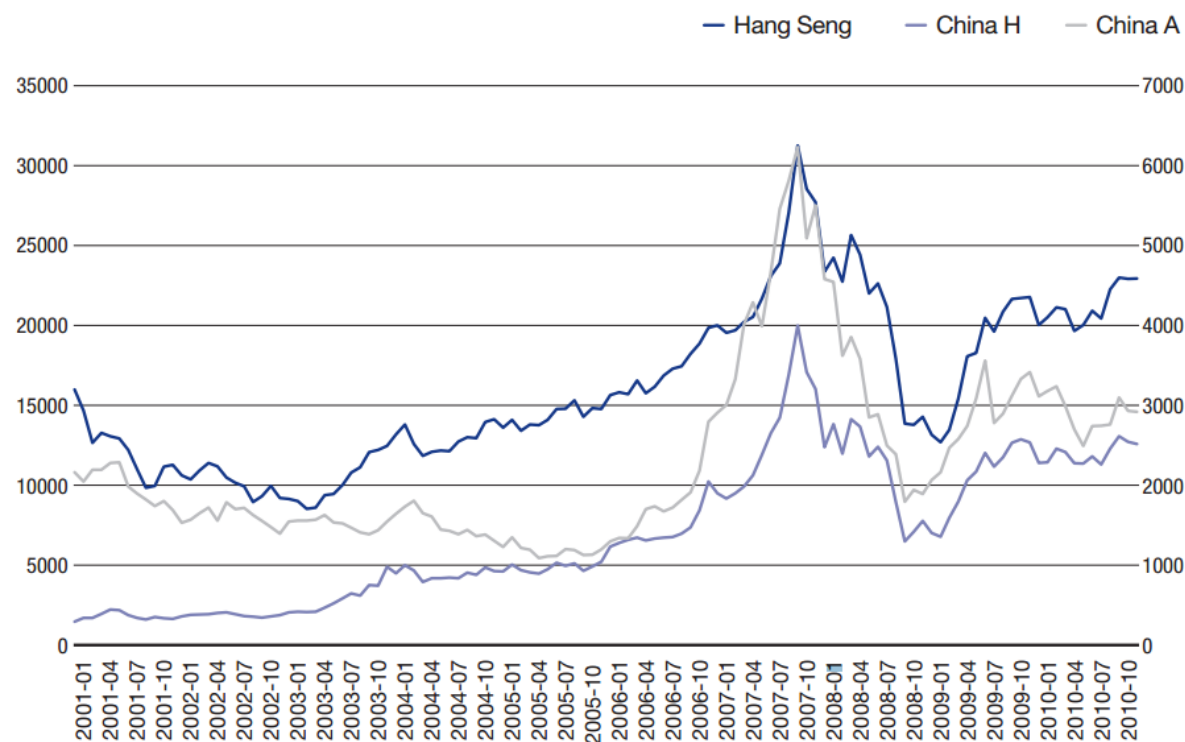
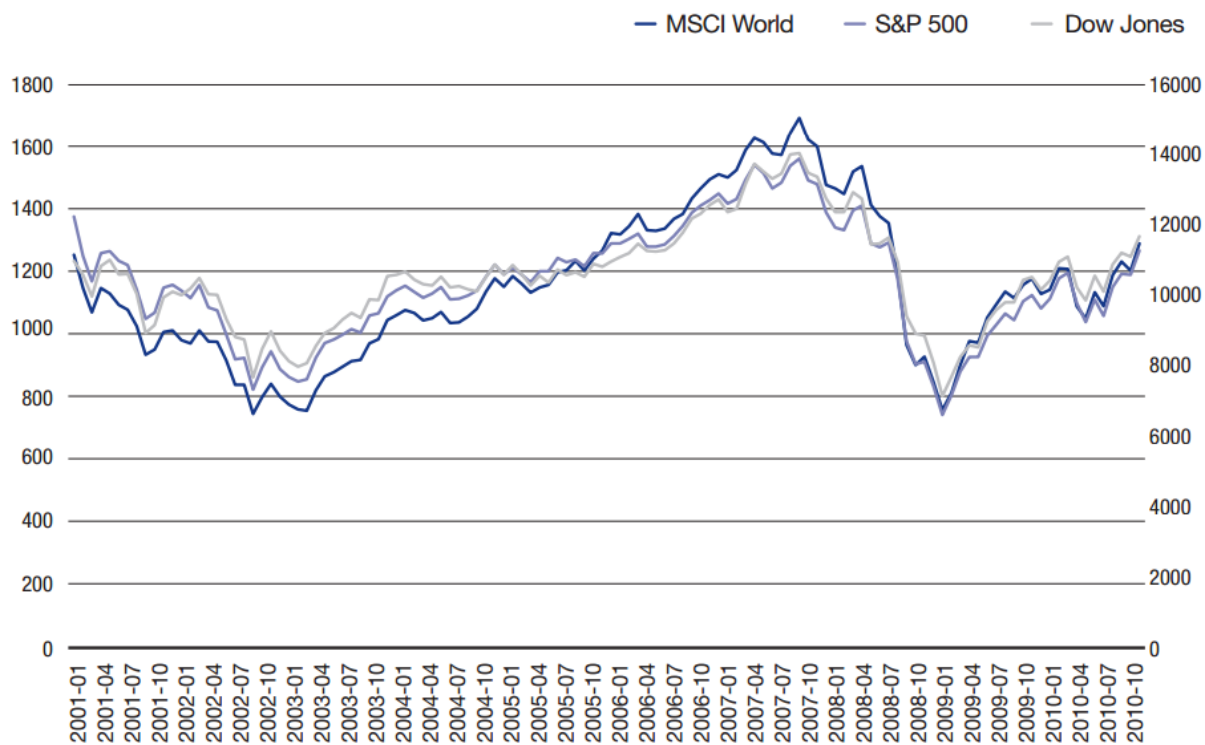
Source: Financial Supervisory Service

Appendix 8. Performance of listed companies in South Korea(trillion ₩)

| | Amount(100 Million ₩) | | | Growth rate (%) | | |
|------|-----------------------|------------------|------------|-----------------|------------------|------------|
| | Sales | Operating Profit | Net Profit | Sales | Operating Profit | Net Profit |
| 1992 | 1,642 | 110 | 30 | -100 | -100 | -100 |
| 1993 | 1,880 | 125 | 27 | 14 | 14 | -7 |
| 1994 | 2,104 | 145 | 22 | 12 | 17 | -19 |
| 1995 | 2,437 | 174 | 46 | 16 | 20 | 107 |
| 1996 | 2,910 | 163 | 11 | 19 | -6 | -75 |
| 1997 | 3,561 | 258 | -18 | 22 | 58 | -258 |
| 1998 | 3,845 | 202 | -142 | 8 | -22 | 687 |
| 1999 | 4,259 | 244 | 69 | 11 | 21 | -149 |
| 2000 | 4,952 | 369 | 54 | 16 | 52 | -23 |
| 2001 | 4,856 | 260 | 49 | -2 | -30 | -9 |
| 2002 | 5,114 | 349 | 237 | 5 | 34 | 384 |
| 2003 | 4,811 | 402 | 276 | -6 | 15 | 16 |
| 2004 | 5,618 | 539 | 459 | 17 | 34 | 66 |
| 2005 | 6,035 | 463 | 427 | 7 | -14 | -7 |
| 2006 | 6,402 | 424 | 388 | 6 | -8 | -9 |

Source: Korea exchange

Appendix 9. World Market Index (2001 - 2010)



Appendix 10. Morninstar global fund ratings (as of December 31 2015)

5 Star (Top 10% in the category)

| Domiciled region | Fund type | Fund name |
|------------------|-------------|---|
| Luxembourg | Mutual Fund | Mirae Asset Asia Sector Leader Eq K USD |
| Luxembourg | Mutual Fund | Mirae Asset Asia Pacific Equity K USD |
| Luxembourg | Mutual Fund | Mirae Asset GEM Sector Leader Equity K USD |
| Luxembourg | Mutual Fund | Mirae Asset Asia Great Consumer Eq A USD |
| Luxembourg | Mutual Fund | Mirae Asset Asia Great Consumer Eq K USD |
| Luxembourg | Mutual Fund | Mirae Asset Asia Great Consumer Eq I USD |
| Luxembourg | Mutual Fund | Mirae Asset GEM Great Consumer Equity K |
| Luxembourg | Mutual Fund | Mirae Asset GEM Great Consumer Equity I |
| Luxembourg | Mutual Fund | Mirae Asset Global Emerging Opps Bd K |
| Luxembourg | Mutual Fund | Mirae Asset Global Emerging Opps Bd I |
| Luxembourg | Mutual Fund | Mirae Asset Asia Pacific Equity I USD |
| US | Mutual Fund | Mirae Asset Emerg Mkts Great Consumer I |
| India | Mutual Fund | Mirae Asset India Opportunities Fund |
| India | Mutual Fund | Mirae Asset Emerging Bluechip Fund |
| Taiwan | Mutual Fund | Mirae Asset Asia New Wealth |
| Canada | ETF | Horizons Active Emerg Mkts Div ETF |
| Canada | ETF | Horizons Active Corporate Bond ETF |
| Canada | ETF | Horizons Active US Floating Rate Bond (USD) ETF |
| Canada | ETF | Horizons S&P 500 ETF |




Source: Morningstar





Appendix 11. Overseas fund sales of Mirae Asset (as of December 31, 2015 million \$)

| Sales region/ Country | Asia ex Japan | Australia | Canada | Europe | Japan | Latin America | US | total |
|--------------------------------|-----------------|-----------------|-----------------|---------------|---------------|---------------|---------------|-------|
| Amount (Initial Sales Year) | 2,181 (2008) | 1,928 (2011) | 3,462 (2011) | 665 (2008) | 702 (2011) | 81 (2008) | 457 (2010) | 9,475 |

Source: Mirae Asset

Appendix 12. Representative Cases of Alternative Investments

| | Location | Category | Description | Investment Period |
|--|-------------------------|--|--|-------------------|
|  <p>Fairmont Hotel San Francisco</p> | San Francisco, U.S.A. | Hotel acquisition | Main building 7 Floors Tower building 22 Floors (591 rooms)/ 88,258 ft ² | 2015-2025 |
|  <p>Fairmont Orchid Hawaii</p> | Hawaii, U.S.A. | Resort acquisition | 6 Floors (540 Rooms)/ 552,025 ft ² | 2015-2025 |
|  <p>1801 K Street, NW</p> | Washington D.C., U.S.A. | Office building acquisition (FRB resident) | 13 floors/ 556, 293 ft ² | 2014-2019 |
|  <p>Four Seasons Hotel Sydney</p> | Sydney, Australia | Hotel acquisition | 3 Floors (531 Rooms)/ 48,000 m ² | 2013-2023 |

| | Location | Category | Description | Investment Period |
|--|-----------------------------|----------------------------------|---|-------------------|
|  <p>Cha Healthcare Operation</p> | Los Angeles, U.S.A | Equity investment | General Hospital (434 Hospital Rooms) | 2013-2018 |
|  <p>Coffee Bean & Tea Leaf</p> | U.S.A. | Equity investment | holding more than 1,000 stores Globally | 2013-2018 |
|  <p>Titleist</p> | Global | Acquisition on managerial rights | Sales of 1.5 Billion \$ in 2015 | 2011-2016 |
|  <p>Shanghai Mirae Asset Tower</p> | Office building acquisition | Office building acquisition | 31 Floors/ 85,784 m ² | 2006- |

Source: Mirae Asset

Appendix 13. Milestones in the Development of Mirae Asset, 1997 - 2015

| | | |
|------|------|--|
| 2015 | Dec | Acquired Fairmont Hotel in San Francisco, California, U.S.A. |
| | | Chosen as the preferred bidder to acquire KDB Daewoo Securities / Asset Management |
| | Jul | Mirae Asset Life Insurance listed on Korea Stock Exchange |
| | May | Acquired highly-rated luxury resort Fairmont Orchid in Hawaii |
| 2014 | Sep | TIGER ETF listed as world's first leveraged ETF in mainland China |
| | Apr | Financial sales corporation Mirae Asset Financial Service founded |
| 2013 | Sep | Acquired a significant equity position in Coffee Bean & Tea Leaf, US coffee & tea retailer |
| | | Acquired Four Seasons Hotel in Sydney |
| | Jun | Launched Horizons ETFs, Horizons' first Latin America-listed ETF |
| | Jan | Mirae Asset Retirement Institute founded |
| 2012 | Mar | Mirae Asset Huachen Fund Management founded |
| 2011 | Nov | Acquired top tiered Canadian ETF 'Horizon ETFs' |
| | Aug | Acquired golf brand Titleist by Mirae Asset Private Equity Fund and Fila Korea |
| | Jun | Mirae Asset Global Investments (Taiwan) founded |
| | Jan | Mirae Asset Global Investments (Hong Kong) becomes first Korean ETF to be listed on the Hong Kong stock exchange |
| 2010 | Sep | Mirae Asset Discovery Funds launched in the U.S. |
| | Aug | Mirae Asset Securities (Brazil) launched |
| | Apr | Selected as case study for Harvard Business School |
| | | Launched first SICAV fund in Korea |
| 2008 | Aug | Mirae Asset Securities (U.S.A.) founded |
| | July | Granted Qualified Foreign Institutional Investor license (QFII) first by China Securities Regulatory Commission |
| | | Launched its first off-shore fund in Luxemburg |
| | Apr | Mirae Asset Global Investments (U.S.A.) & Mirae Asset Global Investments (Brazil) founded |
| 2008 | Feb | Mirae Asset YiCal Investment Consulting founded |
| | Jan | Acquired Real Estate 114 |

| | | |
|-------------|-------------|---|
| 2007 | Dec | Mirae Asset Global Investments (Vietnam) founded |
| | Jul | Mirae Asset Global Investments (Beijing) founded |
| | Mar | Mirae Asset Global Investments (U.K.) founded |
| | Jan | Mirae Asset Global Investments (Hong Kong) founded |
| 2006 | Nov | Mirae Asset Global Investments (India) founded |
| | May | First Korean company to invest in a building in mainland China (Mirae Asset Shanghai Tower) |
| | Feb | Mirae Asset Securities listed on Korean Stock Exchange |
| 2005 | Dec | Mirae Asset Pension Research Institute founded |
| | Jun | Mirae Asset Life Insurance founded |
| 2004 | Feb | Launched Korea's first private equity fund (PEF) |
| | | Launched Korea's first real estate fund |
| | | Launched Korea's first installment type equity fund |
| | | Mirae Asset Investment Education and Research Center founded |
| 2003 | Dec | Korea's first global investment company Mirae Asset Global Investments (Hong Kong) founded |
| 2001 | July | Launched Korea's first front-load mutual fund 'Mirae Asset Discovery Equity Fund' |
| | Jan | Launched Korea's first open-ended mutual fund 'Mirae Asset Independence Equity Fund' |
| 2000 | Mar | Mirae Asset Park HyunJoo Foundation founded, focuses on education |
| 1999 | Dec | Mirae Asset Securities founded |
| 1998 | Dec | Korea's first asset management company Mirae Asset Global Investments founded |
| | | Launched Korea's first close-end mutual fund *Park HyunJoo No.1* |
| 1997 | Aug | Mirae Asset Investment Advisory founded |
| | Jul | Mirae Asset Venture Capital founded |