

KOREA INVESTMENT VALUE ASSET MANAGEMENT

# VALUE INVESTING: PAST, PRESENT, AND FUTURE

A STEP TOWARDS THE FUTURE

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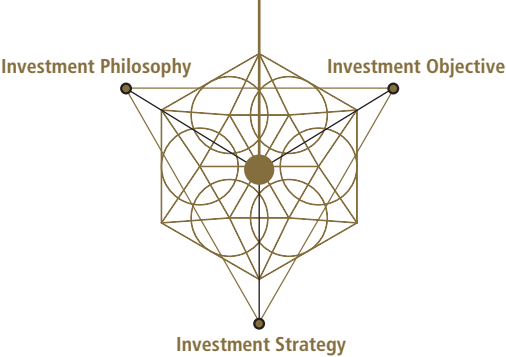


Anchored at the core of our investment principle, value investing embodies what Korea Investment Value Asset Management is all about. In our long journey towards successful value investing, we have strived to reciprocate investors’ patience with sound returns, under the firm belief that investing in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

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# 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



CEO LETTER

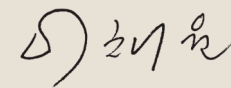
We will broaden the scope and deepen the depth of value investing

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.

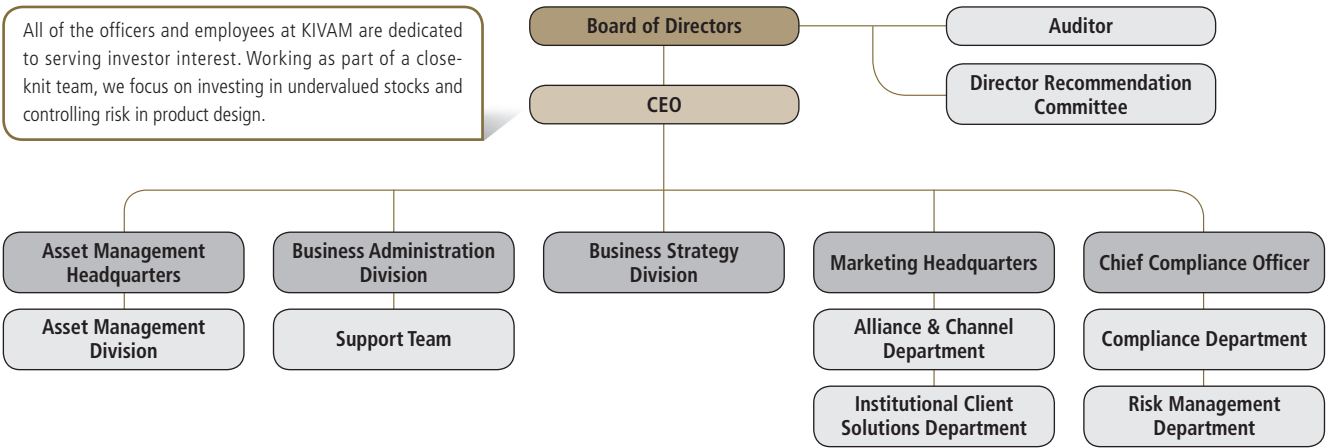
Thank you.

CEO, KIVAM  
Lee, Chai Won  


We strive to grow into a global leading financial player



We make a concerted effort to enable successful value investing







# 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.

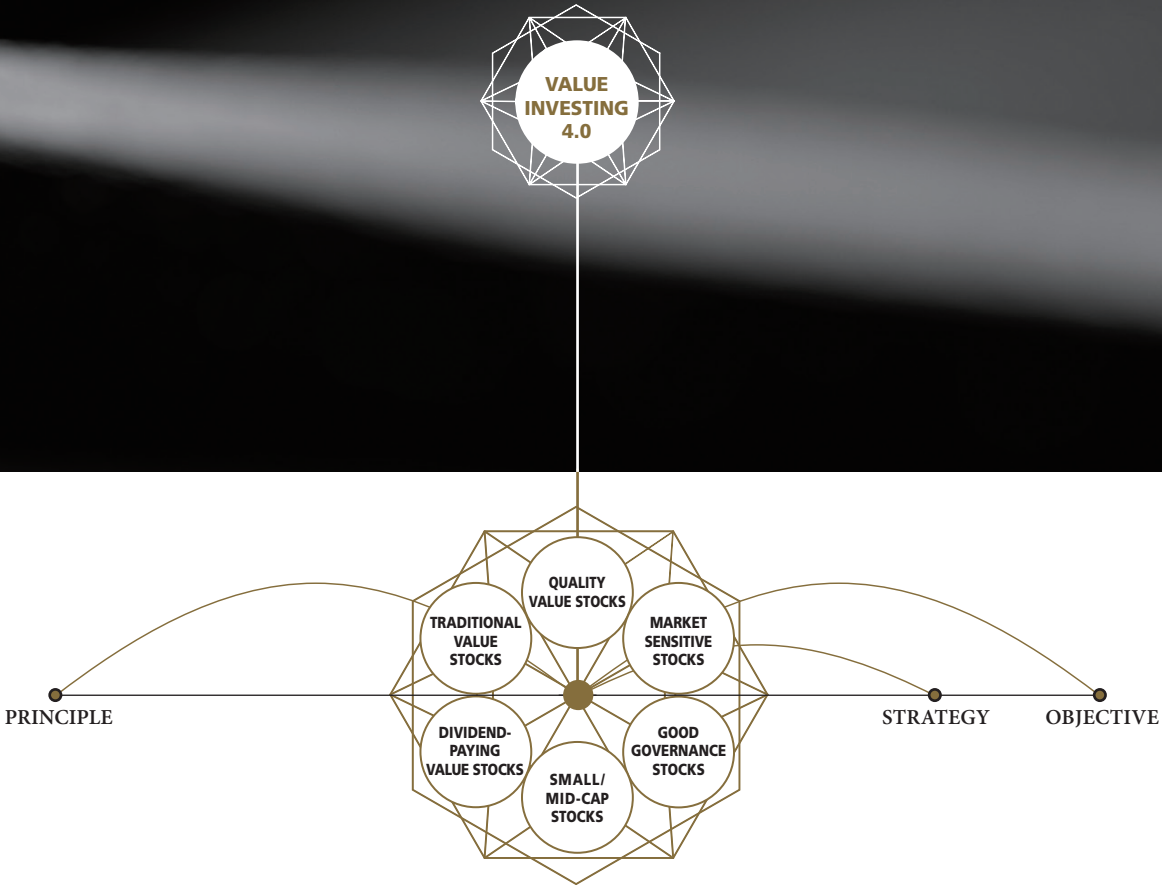




# Value Investing 4.0: Another Leap Forward in Value Investing

## 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 construct a portfolio centering on undervalued small/mid-cap stocks that show price volatility  
-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

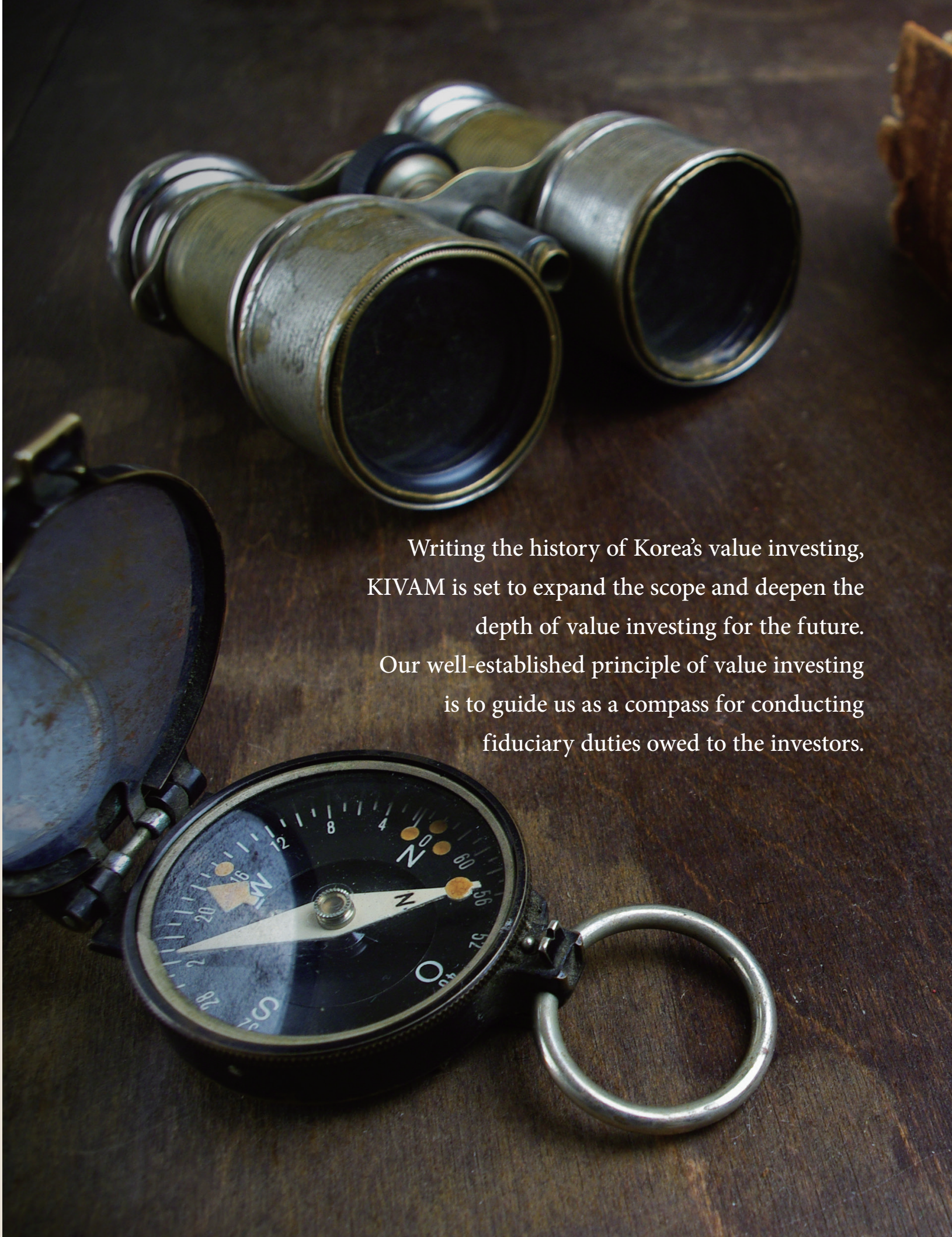
● **OBJECTIVE**

-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



# KIVAM at a Glance

2019	Feb. 2019	Won the 2019 Maekyung Securities Awards-Best Equity Fund (Maeil Business Newspaper)
	Feb. 2019	Won the 2019 Korea Fund Awards-Best Equity Fund Manager (Zeroin)
2016	Apr. 2016	Hosted the 10-Year Investment Talk Concert: 10-Year Anniversary Event for the Korea Value 10-Year Investment Fund (Equity)
2015	Mar. 2015	Won the 2015 Morningstar Korea Fund Awards-Best Domestic Balanced Bond Fund (Morningstar Korea)
	Mar. 2015	Won the 2014 Best of the Best Awards-Best Retail House, Best Pension Fund Manager (Asia Asset Management)
	Feb. 2015	Won the 2015 Korea Fund Awards-Best Equity Fund Manager (Zeroin)
2014	May 2014	Won the 2014 Investment Performance Awards 2014-Fund House of the Year (Korea)(Asian Investor)
	Mar. 2014	Won the 2014 Korea Fund Awards-Best Fund, Best Equity Fund, Best Equity Fund Manager (Zeroin)
	Mar. 2014	Won the 2014 Korea Wealth Management Awards-Equity Fund of the Year, Equity Fund Manager of the Year (The Bell)
	Mar. 2014	Won the 2013 Best of the Best Awards-Best Korean Equity Manager, CIO of the Year (Asia Asset Management)
	Feb. 2014	Won the 2014 Morningstar Korea Fund Awards-Best Domestic Balanced Bond Fund, Best Domestic Small/Mid-Cap Equity Fund (Morningstar Korea)
	Feb. 2014	Won the 2013 Maekyung Korea Fund Awards-Best Fund, Best Domestic Active Fund (Maeil Business Newspaper)
	Jan. 2014	Won the 13 <sup>th</sup> Hankyung Korea Fund Awards-Best Domestic Equity Fund (The Korea Economic Daily)
	Jan. 2014	Won the 2013 Maekyung Securities Awards-Good Asset Manager (Maeil Business Newspaper)
2013	Mar. 2013	Won the 2013 Morningstar Korea Fund Awards-Best Domestic Balanced Bond Fund (Morningstar Korea)
	Mar. 2013	Won the 2013 Korea Fund Awards-Best Fund, Best Balanced Bond Fund (Zeroin)
	Feb. 2013	Won the 4 <sup>th</sup> Asia Fund Awards-Best Retirement Pension Fund, Best Fund Manager (FnGuide-Asia Business Daily)
	Feb. 2013	Won the 21 <sup>st</sup> Maekyung Korea Fund Awards-Best Fund (FnGuide-Maekyung)
2012	Mar. 2012	Won the 2012 Korea Fund Awards-Best Investor Protector (Zeroin-eDaily)
2011	Dec. 2011	Won the 2011 Morningstar Korea Fund Awards-Best Retirement Pension Fund Manager (Morningstar Korea-Money Today)
	Jul. 2011	Chosen as the 1 <sup>st</sup> Easy-to-Understand Asset Management Report-Good Report (Korea Investors Protection Foundation)
	Feb. 2011	Won the 2011 Korea Fund Awards-Good Balanced Bond Fund (Zeroin-eDaily)
	Jan. 2011	Won the 2010 Maekyung Korea Fund Awards-Good Balanced Fund Manager (Maeil Business Newspaper)
2010	Feb. 2010	Won the 2009 Korea Fund Awards-Good Balanced Bond Fund (Zeroin)
	Feb. 2010	Hosted the Fund History Exhibition: Fund Investment in Daily Lives
2009	Apr. 2009	Held the Asset Management Reporting Conference for Clients
2008	Feb. 2008	Won the 2007 Maekyung Korea Fund Awards-Good Domestic Value Stock Fund (Maeil Business Newspaper)
2007	Oct. 2007	Won the 2007 Korea Financial Innovation Awards-Contribution to Innovation of Financial Products/Services (KOFIA)
	Mar. 2007	Won the 12 <sup>th</sup> Maekyung Financial Instruments Awards-Special Award (Maeil Business Newspaper)
2006	Apr. 2006	Launched the Korea Value 10-Year Investment Fund (Equity)
	Feb. 2006	Incorporated as KIVAM
1998	Dec. 1998	Launched and Managed the Lee Chai Won Dongwon Value Fund No.1



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.